BUSINESS WEEK

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Didn't hurt this tree much

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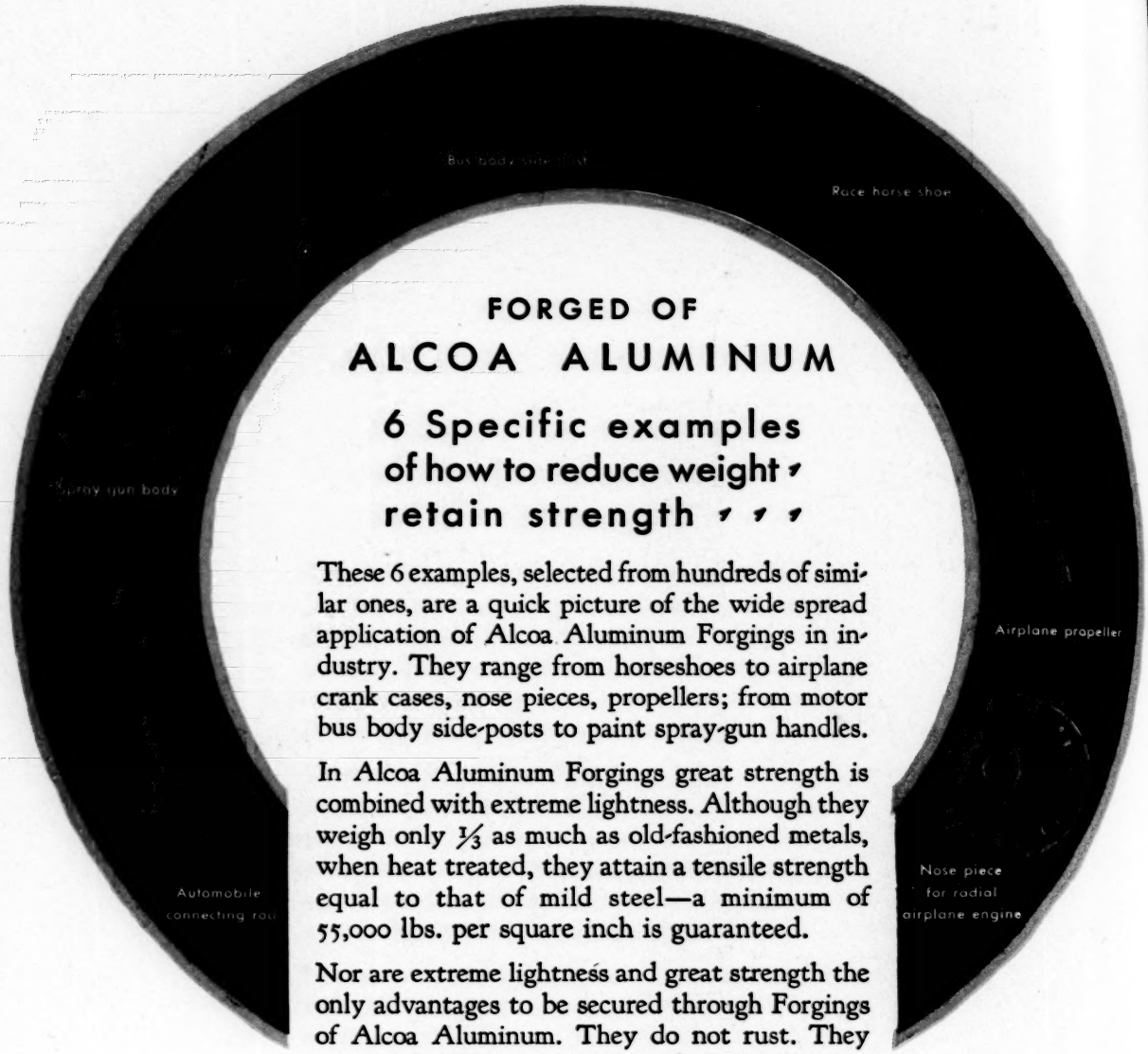

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ALCOA ALUMINUM

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THE
BUSINESS WEEK

A JOURNAL OF BUSINESS NEWS AND INTERPRETATION

NEWS OF THE WEEK ENDING FEBRUARY 15, 1930

WHAT'S IN THIS ISSUE—AND WHY

BUSINESS has been fidgety ever since the Attorney General predicted a busy year for the anti-trust division. Just what did he mean? We present the answer—and it isn't alarming.

FARM relief moves swiftly toward its foreseen goal, which is subsidy. Events of the week make certain the taxpayer will pay—and pay.

CANADA gambled in wheat, too, and seems to be licked, at terrible cost to banks, railroads, all business.

FARM organizations don't like the proposed tariff bill and turn upon the Senate bloc—which is the unkindest cut of all.

PROHIBITION enforcement challenges business in startling fashion. Sales of innocent commodities are criminal if the vendor knows the goods are to be used for illegal purposes, says the government. Chicago indictments have broad implications.

BUSINESS looks better. "What the Figures Show" for steel, building, power consumption is important and definitely encouraging.

WHO gets these Russian orders we hear so much about? Almost every state in the Union—13 to the tune of more than two millions each.

ARE the movie people such bad business men, after all? They face complete revolutions—talkies, color, the big screen—rebuild, and survive!

THE merger mill shows signs of starting up again, among the food distributors.

TEN years ago Frank Seiberling was broke. He'd lost everything, even his home. Today he's head of a big business of his own and likely to get Goodyear back. What do you mean, the age of the young man? He is seventy-one.

AUTOMOBILES now number 35,000,000, a world census shows, an increase of 9.5% for the year.

WALL STREET'S nose dive cost the 7,400 national banks $25,000,000 shrinkage in surplus and undivided profits. Other points of importance develop from a study of the figures.

DRESSMAKERS in New York made peace after a short strike, but it isn't a local matter; it is important to business everywhere. The strike was unique in one respect at least—the employers were for the union; depended on it to force improved trade practises into the marketing of women's dresses.

SUPREME COURT and I. C. C. doctors disagree in the matter of rate-making and depreciation accounting for railroads and utilities. The fare case of the United Railways & Electric Company of Baltimore brings up the problem anew.

RADIOS on the time payment plan will be harder to finance unless the industry mends its ways. Overproduction and undue pressure on dealers to sell have caused bankers to lay down definitive policies for dealer guidance.

Business Outlook

FEBRUARY so far has brought considerable clearing in the business weather. It becomes increasingly probable that the low point of recession has been passed and that a definite uptrend is under way. Basic industrial activity continues to increase steadily, in part in anticipation of a good spring peak of consuming demand rather than on the basis of present pressure. Immediate building activity is somewhat weak pending spring, but plans are piling up fast. In the latest week's records there are signs that general trade is lagging less behind industry. Carloadings and check-money turnover picked up early in February and commodity prices have tended to strengthen after acute weakness.

The world-wide—and particularly the country-wide—easing of central bank rates is of future rather than immediate significance. Its effects will show themselves in four or five months, and may be startling.

Current money rates are low enough and general enough to provide the basis for exceptionally great fall business expansion. After February hoodoos have been passed, the stock market will probably begin to do some forecasting along this line.

Although most weather signs are reassuring, politics are piling up some thunder-heads on the horizon in Farm Board and anti-trust policy which the wise and the wary are watching.

Farm Relief To the Bitter End

SEVEN months after it was set up, the Farm Board has given birth to the first of a family of embarrassing infants which those who knew the father forecast as inevitable. Though the Farm Board, by all accounts, isn't much pleased with its first-born stabilization corporation, certain senators are receiving congratulations, and all the public can do is express its sympathy, pay the bill, and hope for the best.

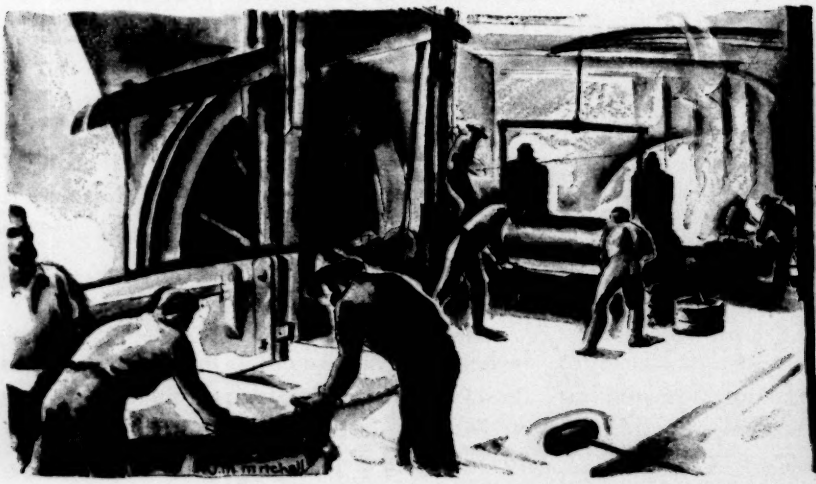
It has been a piece of hard luck all through. The Board was so young and it meant well. The members knew some of the dangerous and dubious things that were contained in the Agricultural Marketing Act and, as THE BUSINESS WEEK has recounted, they openly expressed their skepticism about them. They diffidently took hold of their task at the far end, tackling first the job of building up better and stronger cooperative organizations and other things which the framers of the law privately regarded as frills and idealistic sugar-coating. Scattered cooperatives were organized into national marketing agencies for wheat, cotton, wool and beans. Farmers were induced to join the cooperatives by being promised, with the aid of Farm Board funds, somewhat larger advances on their crop than they could get otherwise.

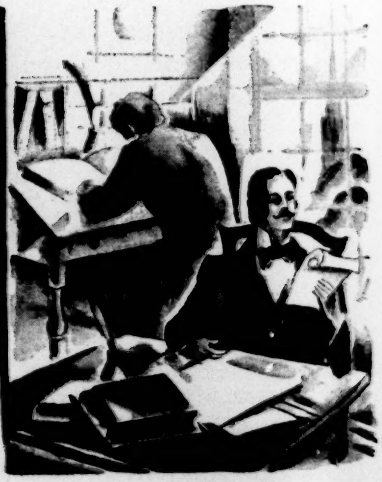
Except for anxiety on the part of jealous grain traders who felt that the Farm Board and its marketing agencies were wooing their farm customers away from them too ardently, all was merry as a marriage bell. Everybody thought crops were going to be short of demand, prices were good and farmers flocked into co-ops, turned over their crops, took the cash and let the credit go on up as it would.

Then came the market crash, business recession, realization that Argentina was dumping a large carry-over abroad, that European crops were large, that European buyers didn't care about paying what American wheat producers wanted—and a long, swift slump in prices, ending in a nose dive at the end of January.

When prices began to sag, the National Grain Marketing Corporation went into the open market and bought wheat with Farm Board funds at fixed prices—about two million bushels of it. But prices continued to drop till futures were below spot cash figures, which meant that everyone who had bought or was holding wheat for later delivery could sell it now at a profit. At this rate, the national cooperative organization would soon have found itself invited to buy the entire world wheat crop if it tried to sustain prices at the level it fixed.

Since the cooperatives were pledging their own credit and that of their members for the money the Farm Board was advancing them to buy and hold wheat, they could not go on buying and holding it without taking a chance of enormous loss which would knock the whole cooperative movement to smither-





eens. Somebody had to be found to hold the bag and assume the risk in this game.

Agricultural senators knew the man. Uncle Sam had been mentioned in the Agricultural Marketing Act in view of just such a contingency, and provided with a purse of half a billion dollars. After some sensational speeches at, and conferences with, the Farm Board, the latter invited the wheat growers, as required by law, to appoint an advisory committee to consider setting up a stabilization corporation to meet the emergency. The committee was appointed, considered and, to no one's surprise, so advised. Accordingly, the National Grain Marketing Corporation temporarily and for this purpose has changed its name to the Grain Stabilization Company, opened a drawing account on Uncle Sam and set out to stabilize.

The transformation consists in this: The marketing corporation can legally handle only the product of its member co-ops; the stabilization company can buy and sell anybody's wheat at any price. The marketing corporation's object was technically and theoretically to market the wheat of its members; the stabilization company's purpose is to play, and if possible corner, the market by buying and holding or selling anybody's wheat so as to raise and fix the price. The marketing corporation's members and stockholders are liable for its debts; the stabilization company's stockholders and members are not. If there are any profits the Farm Board can get rich on them; if any losses, the Farm Board pays them.

The individual farmer, of course, will not benefit, except as a member of a cooperative liable for its debts, because his grain has mostly left his hands. He may even suffer in the end if the prospect of higher, government-fixed prices leads him to borrow more, buy more land, increase his acreage, produce more crop next year, and face still lower prices when the experiment collapses under a crushing surplus, or under retaliation of foreign countries which will raise barriers against governmental dumping of American farm products abroad at a loss. All of this remains to be seen, but it has been forecast time and again as surely as the establishment of stabilization corporations themselves were forecast, and as the collapse of the Stevenson rubber restriction and the Brazilian coffee valorization plans were forecast years ago.

The important thing now is the fact—the biggest business fact in recent years—that the government has thus, under pressure of business recession and political persuasion, moved straight and fast to the foreseen and inevitable end of market manipulation and price-fixing. Within seven months it has carried policy back 13 years, to wartime practice of buying and selling and determining prices of wheat. Another stabilization corporation is to be set up for cotton, and the way is now open for stabilization on the same plan of wool, dairy products and everything suffering from depressed prices—except, of course, those industrial products the private stabilization of which the Department of Justice is watching so carefully these days.

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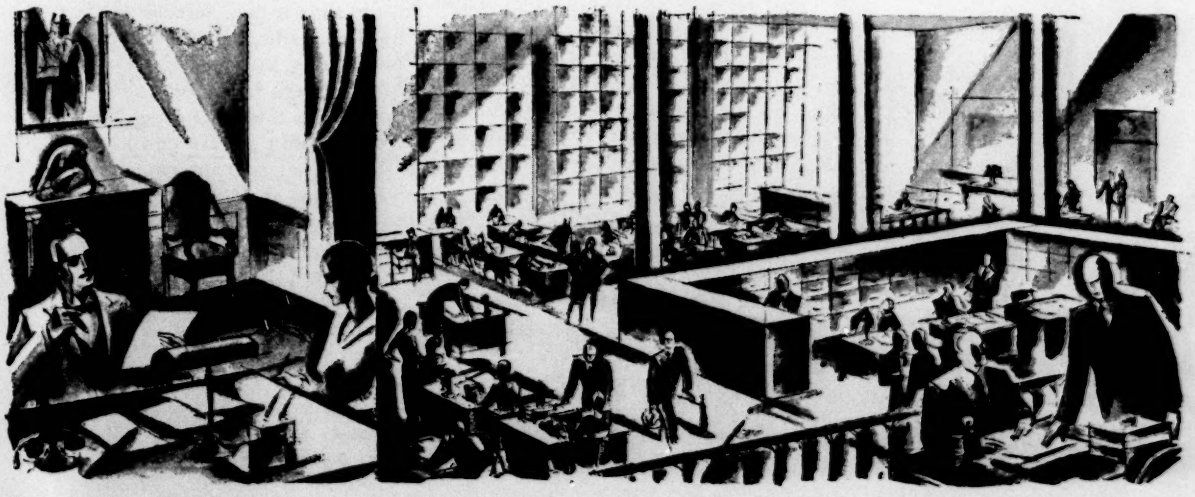
Money Favors Building; Voters Do Not

THE prospects of financing any large increase in building this year are still somewhat cloudy. The National Building Survey Conference, one of the organized activities set up by President Hoover through the United States Chamber of Commerce, is paying particular attention to means of improving facilities for financing smaller types of construction work, and it sees some light ahead in this field. According to its latest report, there has been a slightly greater flow of money into the mortgage market during the past 10 days, though funds are still being placed on a rather conservative basis. The survey indicates that building mortgage conditions on the West Coast are now more favorable, money being available in sufficient quantities for loans on residential and remodelling projects at rates varying from 5½% to 7% on the basis of 60% valuation. In the districts surrounding Cincinnati, Cleveland, St. Louis and St. Paul a pickup in the mortgage market is reported but there has so far been less improvement in the New England region.

The indications are not so good for increased borrowing for public construction. The *Daily Bond Buyer* figures show that the amount of new municipal bond issues authorized in January was only $11,620,346, the smallest for the first month of any year since 1926. More significant is the fact that municipal bond issues aggregating nearly $8,000,000, proposed by 36 municipalities in 17 states, were rejected by voters in January—a somewhat larger exhibition of thumbs-down on new borrowings than has been seen in the most comparable months of recent years.

Apparently some of the recent difficulties in municipal finance have made voters wary. A more important reason is the fact to which attention was drawn in THE BUSINESS WEEK some time ago, namely that state and municipal borrowing during 1929 was exceptionally heavy in spite of the fact that public building for the year showed only a slight increase over the preceding year. The final figures of *The Bond Buyer*, covering 1929, show a total of state and municipal bond issues sold amounting to $1,453,148,438, which was the largest amount of



such securities marketed in a single year except in 1927. Since 1928 was a very large building year one inference from these facts might be that the heavy borrowing during 1929 may reflect itself in larger public construction during 1930, even though local taxpayers might hesitate to continue to go further into debt this year. In other words, if public building expanded greatly this year on the basis of last year's borrowings, while new borrowings this year fell off, we might expect a somewhat slack year for public construction in 1931.

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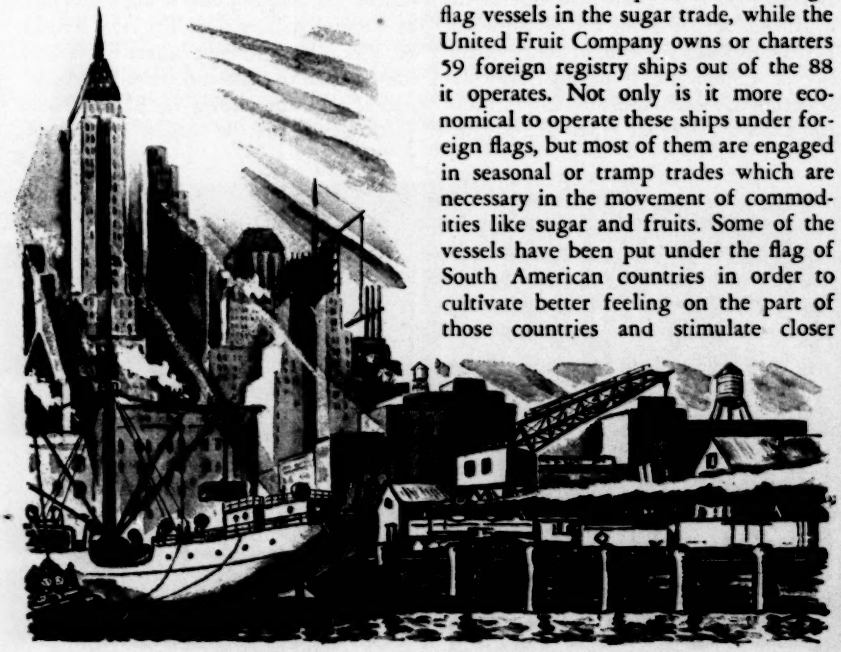
Hundred Percenters Miss Some Practical Points

THE House Committee on Merchant Marine has finally approved unanimously for submission to the House an amendment to the Merchant Marine Act which would deny mail subsidies to any shipping line that operates any vessels under a foreign flag. This measure will probably not come up in the House until some action has been taken on the other two amendments to the Merchant Marine Act which the Committee has been considering—namely, the proposal to give the Postoffice Department and the Shipping Board full discretion in awarding mail contracts without competitive bidding and the proposal to decrease the rate of interest on government loans for ship construction (THE BUSINESS WEEK, February 5). The new amendment just proposed, the so-called Davis Bill, is thought to have less chance of being passed than the other two; but, in some respects, it is far more important as showing the drift of government shipping policy, and if it were passed it would have much more disturbing effects on shipping.



The motive behind the proposal is more sentimental than economic, if indeed there is anything economic about the whole tendency in governmental shipping policy at present. It carries the "100% American Merchant Marine" point of view nearly to the extreme without regard to any of the serious economic problems that confront shipping in this and other countries. The purpose of building up a practical monopoly of ocean transportation for American ship operators under government subsidy, might, of course, be carried somewhat farther than the Davis Bill does by requiring industries benefiting by tariff protection to use American ships exclusively. This was proposed in the hearings by a representative of one company but it is probable that Congress is not yet willing to go that far.

Most of the shipping people who testified in the hearings on the Davis Bill were more or less in favor of the "100% American" proposal in principle, but those lines now operating vessels under foreign flags pointed out difficulties in carrying out the principle and emphasized the need of time to allow American shipping companies to make the necessary adjustments by getting rid of their foreign flag vessels, transferring them to American registry or building or acquiring new ships to replace them. This would be a large problem for some lines like United Fruit and Munson. The latter line owns or operates 147 foreign flag vessels in the sugar trade, while the United Fruit Company owns or charters 59 foreign registry ships out of the 88 it operates. Not only is it more economical to operate these ships under foreign flags, but most of them are engaged in seasonal or tramp trades which are necessary in the movement of commodities like sugar and fruits. Some of the vessels have been put under the flag of South American countries in order to cultivate better feeling on the part of those countries and stimulate closer

business relations. American ships usually cannot compete with foreign flag vessels in these trades.

The net result of this legislation will apparently be either to force the American companies to get out of that type of shipping business and leave it to foreign interests, or make them operate the ships under the American flag at a loss, in order to secure mail subsidies on their other shipping routes. This will probably result in a demand for further government subsidy aid for the slower cargo vessels engaged in these trades. In short, the ultimate outcome of this proposal to force uneconomic shipping operation under the American flag will be to extend the subsidy policy to all types of American shipping.

While the government is going ahead with these plans to build more ships with its money and to run more of them at the taxpayers' expense, reports from Great Britain, the largest and best-experienced shipping country, reflect increasing anxiety over the low levels to which ocean shipping rates have fallen, the increasing amount of laid-up shipping and the continued growth of shipbuilding. With the falling off in international trade, especially in grain, the first quarter of this year is expected to show a great increase in idle tonnage. The leading London shipping paper, *Fairplay*, says in its issue of January 23, "Tonnage has been stupendously overbuilt in this country and abroad . . . . The banks are greatly to blame and the Government is not immune in advancing millions at 5%. The enormous amount of tonnage has not come into existence spontaneously, but has had to be financed. In this country alone possibly $100 millions have been advanced in recent years . . . A stop ought to be put to the financing of speculative ventures, and what can be more speculative than financing the building of large boats at about $45 per ton, when there is no demand for such boats?"

Foreign Borrowers Go Empty-Handed

FOREIGNERS borrowed about one half as much in the American money market in 1929 as they did either in 1928 or 1927. More was both wanted and needed, but more was unobtainable. With one month of the new year gone, the plight of foreign seekers for capital remains unalleviated.

Our lendings abroad totaled slightly more than $700,000,000 in 1929, according to two compilations, compared with about $1,500,000,000 in 1928 and in 1927. Loans totaling $1,000,000,000 in 1929 against about $2,000,000,000 in 1928 and in 1927 are shown by a third. Foreign governments suffered more than foreign corporations. The former got only one-fourth to one-fifth their total in previous years, while corporations got about three-fourths as much.

Funds are still needed abroad, just as they were in earlier years—in South America, Asia and most of Europe. But the world's richest nation continues deaf to most entreaties. The bond market underwent a serious collapse in 1928 and 1929, making issues impossible. The stock market drew funds to itself from abroad. Foreigners suffered doubly.

The stock market collapsed. The bond market firmed up a little subsequently, then went soft and remains in that state. The recovery has been only slight, and there are no signs that it will proceed further in the near future. Many foreign nations and businesses still want money, but prospects are not favorable for their getting it here at present. England, the other lender of the past, is in no position to take care of such needs either.

France alone remains as having any capital at all for foreign lending. Paris is ambitious to become a financial center. Already she is lending on short term to Germany.

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Australian Tariff Hits Our Products

ONLY Canada and the Argentine absorb more American automobiles and trucks than does Australia. With South Africa and the Argentine, Australia is our best foreign hosiery market —bought products last year to the value of $2,368,500. American traction engines dominate the Australian market.

These facts, true last year, seem doomed to change. For three successive years United States exports to Oceania have decreased but have not failed to bulk reasonably large in export trade. This year exporters will need to look for new markets. Australia's Labor Party, always in favor of strong protection for home industry, has not delayed in making drastic tariff revisions on 300 items covering a wide range of manufactured goods and a considerable number of raw materials and foodstuffs.

In the new tariff, textiles are hard hit. Duties on all men's and women's clothing have been doubled, the general tariff rates (which Americans have to pay) having been increased to 75%. Corset levy has jumped from 45% to 75%, and wool and fur felt hats to 60% from 45%.

Duties on all hosiery are increased. In silk and artificial silk stockings the duties have been raised to $12.50 a dozen pairs, or 60% (whichever returns the higher duty), from approximately $2.60 a dozen pairs, or 50%.

Traction engines now will pay 55%, instead of 10%, as duty. Fixed duties on radios have been increased as much as $15. Bolts, nuts, rivets are 60%, instead of 50%; irons and brasswork go from 45% to 60%; plated ware from 50% to 60%; and glass lamps from 40% to 60%.

The new duty on automobile bodies —$475 in contrast with previous $375 —will make it extremely difficult for American manufacturers to import into Australia the higher-priced automobiles, bodies of which are almost entirely made in the United States. They also will have the effect of eliminating, to a degree at least, the smaller American automobile companies in favor of the larger organizations which have complete assembly plants in Australia.

To the alert exporter these facts come, not as a surprise, but as an added indication that Australia is following in the course pursued by our own country as much as one hundred years ago. Protectionism is the basis for the country's industrial policy and growth. Arrival of the Labor Party to power in recent elections has brought to a head a growing tendency and accentuates, for the American exporter, the unfavorable condition existing in Australia due to low prices on basic crops and weakened buying power due to labor difficulties. Just another indication that new markets must constantly be developed.

The Senate Hears From the Farmer

THE Senate coalition group has about lost its faith in Santa Claus. Its members have been engaged for months on a crusade whose sole object was to be the advancement of the interests of consumers.

Now it finds nearly all the vocalized consumers have repudiated the group's efforts and the Senate sees itself and its work damned equally by organized business, organized labor and organized farmers.

Disapproval of its efforts to reduce industrial tariffs was to be expected from organized business. Matthew Woll's blast against the revised Senate tariff bill could have been anticipated by recalling the usual tariff position of the American Federation of Labor. But that representatives of seven great farm organizations, covering nearly one-third of all American farmers, should join in the anvil chorus was the "most unkindest cut of all."

The Senate is pondering that open letter signed by officers or representatives of the American Farm Bureau Federation, Farmers' Union, National Cooperative Milk Producers Federation, American Cotton Growers Exchange, National Livestock Producers Association, Central Cooperative Association, American National Livestock Association.

The letter protests low rates on sugar, blackstrap molasses, casein, hides, fats and oils. It maintains that continuation of the present tariff on these products would be better for agriculture than the proposed bill.

The tariff bill is now in the individual amendment stage during which all the changes proposed by the farm organizations might be made. Nearly all amendments passed so far have lowered rates, some of them below those of the 1922 bill.

It is doubtful that the farm letter will have any serious influence upon the members of the coalition group, although it may affect enough individual Senators who are still more or less on the fence so that certain schedules can be revised upward.

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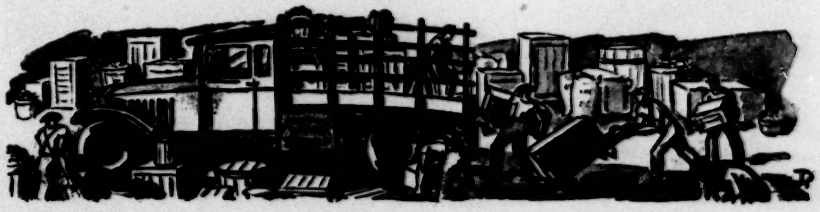


Prohibition ► Government Challenges Big Business Dry Law

FLEISCHMANN knowingly supplied the yeast, Corn Products the corn sugar. So charge indictments reported February 10 by a federal grand jury at Springfield, Ill., in a drive against a ring of alleged operators of bootleg stills. This is the test case, the first of its kind, to determine whether the government may strike at the base of supply of alcohol ingredients. Officials of the two big companies are not to be mentioned by name in the proceedings.

Possible complications are interesting. Fleischmann is the unit around which J. P. Morgan & Company built Standard Brands, Inc. Such names are seldom seen in court reports of bootlegging cases.

If courts hold that prohibition enforcement officers may strike at bases of supplies, many things may happen. Since prohibition became a legal fact, the Pennsylvania Railroad has invested enough millions in its New York produce terminal to make it the Wall Street of the grape industry. The Federal Farm Board has loaned millions to California grape raisers. (THE BUSINESS WEEK, September 7.)

Is the federal prohibition administration to be added to the farmers' burdens? Surely Sun-Maid Raisin growers must have some knowledge of what raisins are often used for.

That this new activity on the Illinois front takes place at a time when Congress is considering shifting prohibition administration from the Treasury to the Department of Justice is of more than passing interest. For several years Andrew W. Mellon's field-men have considered it unnecessary to ask, "Where did the ingredients come from?"

However, James Eaton, of Springfield, deputy enforcement officer who has been working up the government's case, assures THE BUSINESS WEEK that the move is not a sudden one. An investigation has been under way a year, he says. Asked if makers of machinery and equipment used in illicit stills might not be prosecuted too, he states: "It would depend on the facts of each particular case. The government would have to prove a guilty knowledge."

Officials of companies involved state emphatically that they have been selling only to reputable concerns. They deny any knowledge of the existence of a chain of illicit stills. "The first we knew about it was when we read it in the papers," one Corn Products official states. "Corn sugar has a thousand different uses. Our job is to make it and sell it, not to ask what will be done with it."

Business will welcome a show-down on prohibition. It begins to look as if the Hoover administration intends such. One good way to clear up a bad situation is to get citizens of eminence objectionably involved.

Pacific & Atlantic

UNCLE SAM REACHES FOR THE CHECK

Members of the Farm Board Wheat Advisory Committee meet to organize a wheat stabilization corporation (See page 4). Left to right, seated, W. G. Kellogg, chairman; W. H. Settle, F. J. Wilmer, Bert Long. Standing, J. W. Schnitzler, John Manley, E. H. Hodson

International Newsreel

FRANKLIN SIMON

Head of one of New York's best-known department stores, on Fifth Avenue, now wintering in Palm Beach, Florida

Retailing ► Drug Trade Awaits St. Louis Survey

JUST what is the most important—and profitable—part of a drug store's business may be determined by a survey about to be undertaken in St. Louis by the Department of Commerce at the request of the national drug trade organizations.

Equally interested with the druggists in the answer will be the many other retailers who have seen their special fields invaded as the corner pharmacy has evolved into a young department store.

The survey is expected to give the retail drug trade an analytical picture of its business, reflecting the size and profitableness of the various departments, and affording the intelligent retailer, as well as manufacturers and wholesalers, a dependable guide. It is expected to do for the drug industry what the Department of Commerce survey in Louisville, Ky., did for the grocery trade, and will be of national importance.

A St. Louis committee which will finance the survey is making plans to proceed with it just as soon as the Department of Commerce gives final approval. The committee chairman is Robert Lund, general manager of Lambert Pharmacal Co.

Automotive ► Winter Production Gains In Hope of Spring Sales

FOLLOWING a December in which activity was less than in any December since 1921, the automobile industry started picking up and gives every indication of returning to normal. January output of cars and trucks in United States and Canada was 298,300. While this is considerably below January 1929 output of 422,500, it is a marked increase over December when but 125,400 vehicles were produced.

Ford's January production was 98,500. Late in the month he had increased output up to a daily rate of 6,200, so February production should be considerably better. Chevrolet has reached a daily output of over 3,000 and is still increasing. Scattered reports from other makers including Hudson-Essex, General Motors units, Auburn-Cord, indicate that the usual seasonal expansion of productive facilities is under way almost full blast.

December sales data are still incomplete. Reports from 40 states—with 89,000 sales—indicate that total sales were little, if any, above 100,000; that rigidly restricted output during that month still tended to increase dealer stocks. Cook County, Illinois sales—including Chicago—were 5,262 in January compared with 6,584 for January 1929, an unexpected good showing. High-priced cars suffered severe losses, however, while a few low-priced models scored gains.

Automotive exports in 1929 gained 8% over 1928, according to the Department of Commerce, and were valued at $563,854,000. Passenger car exports were somewhat less than in 1928 but trucks made a gain of 42% in number and 22% in value. Shipments of all other automotive products increased in value nearly $51,000,000 over 1928. Parts for assembly increased 72.5%.

Despite all the talk devoted to closer control of production in line with retail sales, it is likely that February output will be considerably more than sales, as January production probably was. Retail buying starts with a jump, usually in March. To wait actual receipt of orders from consumers would fairly swamp most manufacturers for a few months or so. There seems little doubt that they will continue to build up stocks during the current month as has always been done in the past. It may only be hoped that their rosy optimism may be touched with proper restraint.

There are many individuals in the industry still skeptical of the sincerity of the countless protestations that during 1930 the manufacturers are to look more to the dealers' welfare. Such protestations go very well during the mid-winter slump, it is said, but many want to see how the temptations of the spring selling season are resisted before they believe in the automotive reformation.

These skeptics suggest that while the industry received a good lesson in 1929, it also had one in 1923-1924 and in 1920-1921 which seemed to have little effect upon last year's dreams. That it is "three times and out" is the hope of every one interested in the industry.

Automotive ► States Lift Speed Lid Up and Off

THE increased tempo of business finds its reflection in the higher motor vehicle speeds now being legalized in various states. A few years ago 25, 30 and 35 miles an hour was considered adequate. Now 9 states impose no maximum speed limit; 20 others permit speeds of 40 miles an hour or more. A 35-mile-an-hour gait is still most popular, with 15 states setting it as the legal limit; but, in addition to the 9 states with no speed limit, 1 sets 50 m. p. h. as a maximum; 11 set 45 m. p. h. and 8 say 40 m. p. h.

There has been a steady trend during recent years to higher limits and to elimination of all limits. Connecticut, Indiana, Kansas, Iowa, Michigan, Montana, Tennessee, Vermont and Wisconsin have no speed limit; hold that there are times when 15 miles an hour is too fast, others when 50 and 60 are safe. Meager data indicate that accidents are not increased by removing speed limits and may be considerably decreased.

An interesting divergence among states still imposing speed limits is their interpretation of excess speeds. In 22 of the 40 states with speed limits the speed limit is the legal maximum; to exceed it is illegal under any circumstances. In 18 states, exceeding the prescribed limit is *prima facie* unlawful.

Utilities ► Better Equipment Cuts Power Costs

ONE reason why the present trend in prices for electric light and power is downward is indicated in a survey completed this week which shows that output of power per ton of coal has doubled since 1920 due to increased efficiency of equipment.

The prime movers that produce the power have grown enormously in size and capacity but not in numbers. Since 1902, the number of units has grown from 7,850 to 12,000. The horsepower capacity, on the other hand, has increased from 1,845,048 in 1902 to 35,710,128, or 20 times. Steam engines, as prime movers, reached their zenith in 1912. Turbines now predominate. Internal combustion engines now in use exceed 500,000 horsepower. The turbines average 20 times the size of engines; 3 times the size of waterwheels.

Keystone View

FIRESTONE'S FOUR HORSEMEN

The four sons of Harvey Firestone, rubber manufacturer, are at Miami Beach, Fla., ready to uphold the honor of the family at polo. Left to right—Leonard, Harvey, Jr., Raymond and Russell

Spain ► **Barcelona Fair a Costly Success**

European Bureau The Business Week

THE International Exposition at Barcelona, which ended its international phase on January 15 and immediately reopened as a national fair, has apparently not been a financial success, but Spanish business men are satisfied with its results. It attracted the attention of the world to Spain, and to Barcelona in particular. Fine exhibits were shown by France, Germany, Hungary, Italy and other countries. British and American participation was limited, neither country being officially represented. Thirty-four American concerns received prizes. These five won highest awards: Atwater Kent Manufacturing Company, Radio Corporation of America, Crompton & Knowles Loom Works, Gillette Safety Razor Company, and Packard Motors Export Company.

A detailed account of the fair's expenses and receipts is not yet available. It has been announced, however, that in round numbers the exposition has cost 180,500,000 pesetas ($23,500,000). The state has advanced a total of 62,000 pesetas ($8,100,000), leaving 120,500,000 pesetas ($15,400,000) for the city to furnish. This will be paid out of special taxes. The Spanish Local Credit Bank will issue 52,000,000 pesetas ($6,800,000) in bonds, to be paid to the city of Barcelona, to help defray the expenses of the show.

In its national phase the exposition will remain open until the coming summer. Many of the foreign exhibitors will continue their stands.

Distribution ► **Food Merger Mill Grinding Again**

THE food mergers are beginning again. Here is a business index the statisticians have missed.

Kraft-Phenix Cheese which was seeking a purchaser last fall and had one almost landed when the stock break came, is putting through a new deal. National Dairy Products Company, which stopped its program of enlargement for some 60 or 90 days, has started out once more. Whether more units of the half formed "cheese, chocolate and cosmetics" group (THE BUSINESS WEEK, Nov. 2, 1929) will be taken in eventually or whether the Kraft-Phenix Cheese Company is the only one wanted by National Dairy Products Company still remains to be seen. It is known, however, that National Dairy Products Company has given interested glances, of the "come hither" sort, towards Hershey which was one of the former group.

Jewell Tea, however, gets the novelty prize on its merger. It has bought Club Aluminum—the thick aluminum ware that has been sold direct to consumer clubs in various parts of the country. Jewell Tea Company sells coffee and tea direct to consumers from its own wagons throughout the farming districts and small towns of the Middle West. It plans to market the aluminum ware from the same wagons.

Significant in the distribution field is the transfer of Merrill, Lynch & Company and all its branches to E. A. Pierce and Company. Merrill, Lynch & Company has taken a leading part in the promotion of chain store growth and chain mergers. E. A. Pierce and Company has been growing rapidly during the past few years and this is its fourth large acquisition. The last previous one was in July, 1927, when it completed the purchase of Dean, Onativia and Company.

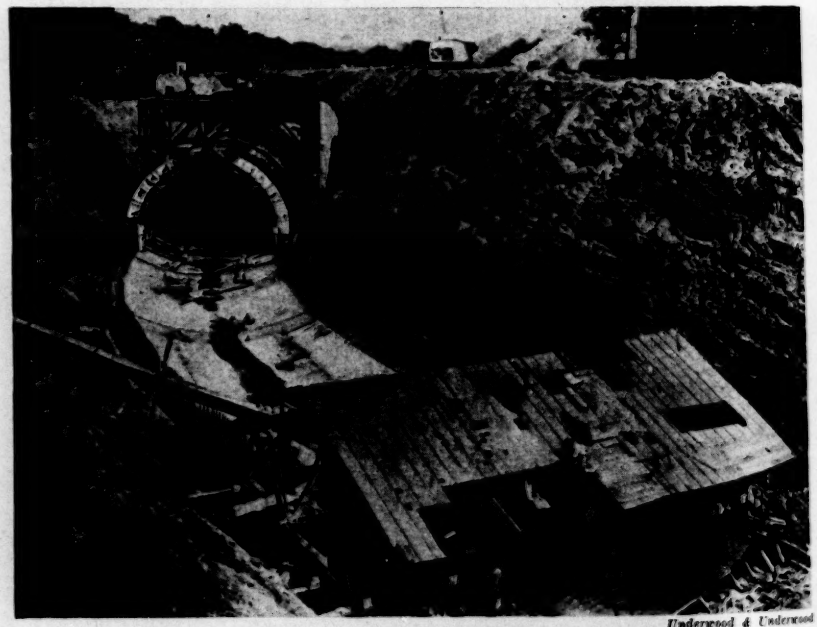
Personnel ► **A Code for the "Liaison Man"**

THE following code of ethics for foremen has just been formulated by The National Association of Foremen.

The code recognizes the individual's responsibility for his own development, his opportunity for service both within his organization and in society and offers a worthy goal for every foreman—the man holding the most strategic position in industry, direct liaison between management and workers.

The provisions of the code follow:

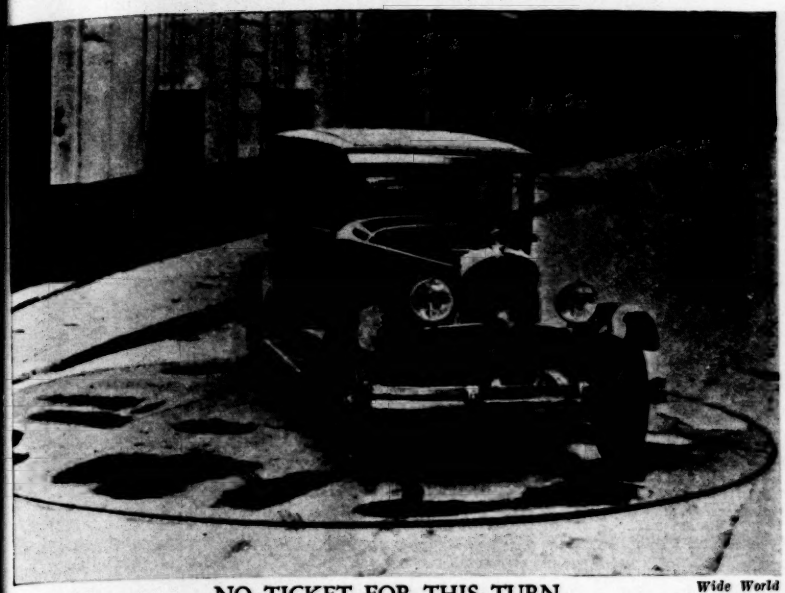
1. The foreman should recognize that every man above, beside or below, has an inherent desire to do good work and to be a useful and respected citizen. He should not assume that any man wants to do anything less than his best until he has considered every other possible motive.
2. The foreman should keep an open mind on all subjects, striving to maintain a broad and balanced outlook and being always willing to recognize merit in another's ideas.
3. The foreman should deal fairly with the management, the men and other foremen, assuming responsibility for his own mistakes and refraining from shifting blame to others.
4. The foreman should strive to understand the principles of business which make for success or failure of industry. He should pass at least some of the fundamentals of business principles along to his men, so they can see their own relation to the general scheme.
5. The foreman should keep informed as to the latest developments in equipment and processes. He should recommend or put into effect such methods as will produce improved quality, lower costs for the product and better working conditions.
6. The foreman should regard his profession as a field of social service offering an opportunity to help working people obtain maximum satisfaction from life.
7. The foreman should endeavor to earn, and carefully guard, a reputation for good moral character, good citizenship and common honesty and to support and promote the uplifting influences of the community.



Underwood & Underwood

BURYING A RIVER

The River Des Peres has been enclosed in tiling and concrete to form the world's largest sewer, now nearing completion in St. Louis after vast engineering difficulties. This part of the work is in front of the Jefferson Memorial Building



NO TICKET FOR THIS TURN — Wide World

Paris is following London's lead and installing turning plates to permit automobiles to turn in narrow streets. The latest is in the Rue Radziwill. They operate like railroad turn-tables

Utilities ► **Court and Commission Split on Rate Case**

UTILITY and railway executives are giving serious attention to their position in the matter of rates as a result of the apparently divergent attitudes on the subject held by the U. S. Supreme Court and the Interstate Commerce Commission.

The Supreme Court, in the fare case of the United Railways and Electric Company of Baltimore, definitely established two principles of rate-making and reaffirmed a third previously laid down. While in the past it has always been stated that an adequate return on the investment should be permitted, this time it held that the railway was entitled to a return of 7½% to 8% on its present fair value. The Court also made it clear that the system of depreciation accounting which the I. C. C. proposes to apply to the railroads is both economically and legally unsound. In pointing out that earnings and depreciation shall be calculated on present value, it virtually has thrown out the theory of prudent investment to which a number of authorities have clung.

Just what the Interstate Commerce Commission proposes to do is not entirely clear. Joseph B. Eastman, member of the commission, writing to Senator Couzens, chairman of the Senate Committee on Interstate Commerce, indicates that he believes the law should be changed in line with the theories of the commission. Observers point out that he does not make it clear whether he would propose also changing the Constitution of the United States. Unless the Supreme Court should reverse all the decisions it has made for 30 years, it is probable that any legislation which would tend to restrict earnings of railroads and utilities would be found unconstitutional. Unless the I. C. C. changes its attitude on railroad valuation on which it has been working for several years, it is unlikely that any settlement of the question can be had that will not precipitate a long fight in the courts.

In determining the present fair value of a property the Supreme Court has, in many decisions, stated that cost of reproduction is an element which must be given consideration. State commissions and other regulatory bodies have interpreted this statement practically as they saw fit. Some of them have seemed to take the stand that consideration of reproduction costs did not necessitate that they should be given much weight in fixing the rate base. In the Baltimore decision, which not only reaffirms the O'Fallon decision but goes even farther, while no definite statement is made, the position seems quite clear that present reproduction costs must be considered the most important factor.

A similar position was taken by the Court on the proper basis for calculating depreciation. On this point the Court said: "The utility is entitled to see that from earnings the value of the property is kept unimpaired, so that at the end of any given term of years the original investment remains as it was at the beginning. . . . This naturally calls for expenditures equal to the cost of the wornout equipment at the time of replacement; and this, for all practical purposes, means present value. It is the settled rule of this Court that the rate base is present value, and it would be wholly illogical to adopt a different rule for depreciation."

Production ► **Machinery Ready to Federate**

MACHINERY builders have taken what may be an important step towards a machinery federation. Representatives of more than 20 associations met in Washington last week. W. J. Rastall, chief of the Machinery Division of the Department of Commerce, stood in the background, as usual, to point out the need of cooperation.

He has a valuable working mate in E. F. Du Brul, general manager, National Machine Tool Builders' Association, who presided. A committee of seven, headed by Carl A. Johnson, president of Mr. Du Brul's organization and also head of Gisholt Machine Co., was appointed to draft a plan for the proposed federation. The committee is expected to report in about three months.

The need for common action comes principally from distribution difficulties. The same breakdown of the middleman has appeared in this industry as in others. The trade-in problem has made another marketing difficulty that needs a concerted program for the industry as a whole. For the most part, manufacturers have merely accepted the second-hand machines as a thing to be secured at as low a price as possible and destroyed. The idea of organizing and using the second-hand market as an effective means for moving obsolete equipment has not penetrated very far in this industry. It has been tried only in Chicago. (THE BUSINESS WEEK, February 5.)

Foreign trade has furnished a third incentive to federate. Other countries have organized their machinery manufacturers into powerful groups which work together in their drives for foreign markets. Most of our foreign trade in machinery is the result of the individual efforts of separate companies. There is every reason to believe that a single organization could do a great deal towards strengthening and enlarging our foreign markets.

Aviation ► Industry Shows New Models To Spur Lagging Market

KEYNOTES of the International Aircraft Exhibition at St. Louis this week were easily determined. Swank —from refined upholstery and comfortable reclining chairs in the cabins, to sleek stream lines in tasteful color combinations—was outstanding. To the pilot, no trend was more obvious than instrument board advance—the swing to wider use of electrical rather than mechanical instruments, and all of a dozen developments grown out of wide research and application of the radio beacon.

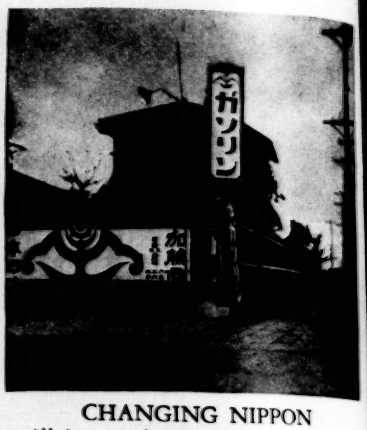
To the casual observer, and perhaps to those a bit timid about flying, the large number of glider models was a welcome surprise. Ten years after Germany, America has awakened to the sport possibilities of the glider. More than a dozen aircraft companies see in the powerless plane a new sales outlet for mass production, a new approach to wider public air-mindedness.

Gliders come in a popular price range —as inexpensive as $400 or $500. They are comparatively safe, can take off from any not-too-rugged hillside, and give the amateur an opportunity to "get the feel of the air." At present, only 1,000 Americans are flying motorless planes, while in Germany more than 200,000 have joined gliding clubs.

The large number of new airplane models shown to the public for the first time at the show, points to the industry's growing tendency to follow the example of the automobile manufacturer by producing annual models introduced at a national exhibit.

More significant in the present economic flux was the meeting of sales managers to determine some unified merchandising program. The United States market has not kept up to the production capacity of the airplane manufacturers. Foreign markets can supplement domestic demand to the benefit of both as well as of the manufacturer.

Further, recent mergers have created a Big Five with individual merchandising organizations against which the small manufacturer finds it difficult to distribute efficiently. Frank discussions, recognition of the unwisdom of reckless price-cutting, and the benefits of cooperation in foreign markets, created a more wholesome understanding with which group effort through the year will profit.



CHANGING NIPPON

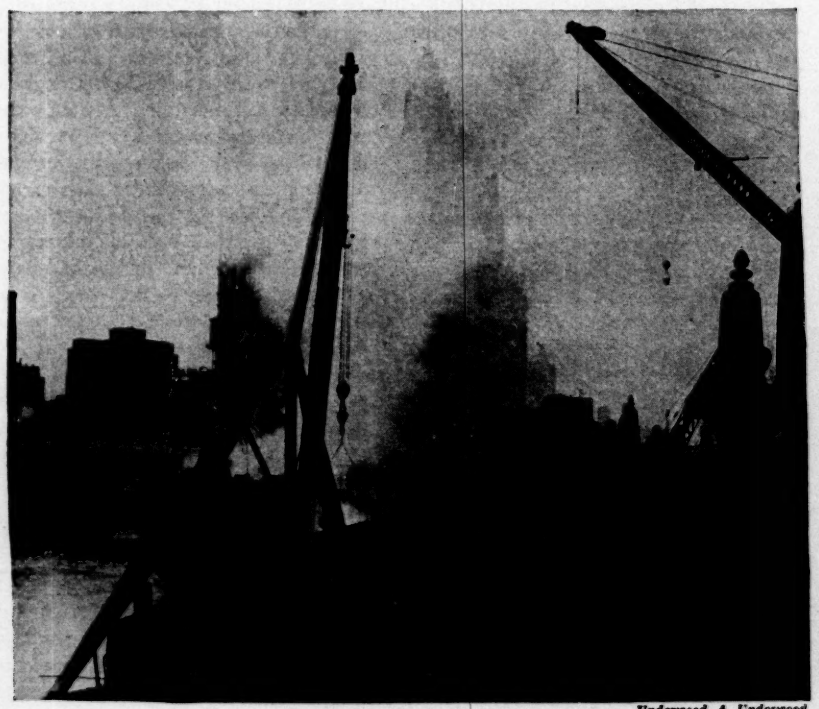
All is not cherry blossoms and rickshaws in Japan these days. This auto filling station on a $10,000,000 highway connecting Kobe and Osaka has borrowed the advertising methods of the Occident along with its gas pump

Utilities ► Poles Still Study Harriman Proposal

European Bureau The Business Week

DESPITE rumors to the contrary, W. A. Harriman & Company apparently have not withdrawn their proposal to electrify approximately one-fourth of the area of Poland on a 60-year concession. Premier Bartel, head of the new Polish government, told the Diet in an official speech that the proposal was still under consideration, but that it required further study because of the "technical discussion" of certain terms included in the proposed concession. This is accepted as a governmental recognition of the opposition to Harriman, raised in Poland, on the ground that, instead of representing American capital he really represented the German General Electric Company, in which he is a stockholder.

As originally proposed, the concession called for the expenditure of some $25,000,000 over a period of three years, and gave the Harriman company exclusive rights to the production and distribution of electricity throughout the territory. The firm, however, was obliged to construct and operate a 90,000 h. p. hydro-electric plant on the Dunajec River, a deficit enterprise but regarded as extremely important for the national defense. It is likely that the terms of the concession may be revised to more nearly balance the estimated profits from the entire territory and the net loss in connection with the Dunajec plant. Special clauses may also be inserted requiring the concessionaire to order the necessary equipment and fixtures, so far as possible, in Poland.



Underwood & Underwood

CONSTRUCTION AS USUAL

Chicago's financial troubles have failed to halt the building of the new bridges over the Chicago River just north of the Loop district. In the background—the Wrigley Building

Radio ► Bankers Put Instalment Selling Under Iron Rule

THE radio industry, in financial difficulties because of overproduction, finds bankers tightening policies governing purchase of time-payment contracts.

Consensus of opinion from interviews with leading discount companies: Radio paper can be sold, but before a ready market can be found the industry must comply with certain conditions. Unless it does, financiers will be forced to make the decision for the industry—and the cure may be a drastic one.

Chief conditions: Dealers must keep selling costs well within gross margin, allowance being made for a reasonable profit; must keep accurate operating statements available for inspection at all times; inventory items are to be priced at present market prices, collections closely followed, demonstration period limited to 24 hours, trade-in allowances held to a minimum, financing planned ahead, sufficient working capital kept on hand by new business to handle first two critical years.

Jobbers are urged to verify financial and business stability of each dealer before signing him up and to concentrate on those who are doing effective selling jobs. Manufacturers must formulate price policies and adhere to them.

Commenting on these demands of the bankers, *Radio Retailing* says that: The radio manufacturers "come in for a good share of the blame for this credit situation. The pressure they put upon dealers to sell more radio sets than the market could readily absorb and their part in the unstabilized price situation, are the reasons advanced by the bankers for their indictment."

Banking ► Fewer Banks Are Safer Banks

THE hazards of the banking business and the steady drive to reduce these hazards through consolidations are shown in the records of bank mortality and mergers for 1928 just compiled by *The American Banker*. The total number of banks in the United States was reduced by 1,104 in 1929; 1,494 surrendered their charters, 799 lost their identity through mergers and 695 closed up shop for other reasons. Partially offsetting these reductions, 390 banks began business during the year. Of these, 317 were new banks and 73 were closed banks which re-opened.

The last quarter of 1929 was a particularly active one for deaths and marriages in the banking field. Moreover, the changes for the year were most marked among the state banks. The year's totals show that 645 state banks and 50 national banks closed outright while 571 state banks and 228 national banks were closed in the process of merger. The number of new banks opened during the year included 198 state institutions and 119 national banks.

As a result of these changes it is estimated that the number of banks in the country is now well under 25,000. The last report of the Controller of the Currency as of June 29, 1929 listed 25,330 institutions and there has been a net reduction of nearly 500 banks since that date. This is in line with the steady downward trend in the number of banks during the past seven years. In 1922 there were somewhat more than 31,000 banks, over 6,000 of which have disappeared since that time.

Keystone View

BACK IN THE S. O. S.
General J. G. Harbord, late of the A. E. F., now president of Radio Corporation, has left the industrial front and is golfing at St. Augustine, Fla.

Banking ► House Starts Action on Probe

THE House of Representatives has finally authorized the House Banking and Currency committee to investigate banking. This is at the request of the committee, headed by Lewis T. McFadden, of the administration and of bankers generally. The committee is empowered to subpoena whatever witnesses and documents it wishes, to employ experts, to work whether the House is in session or not. It has been promised the aid of the Federal Reserve Board and the American Bankers Association.

The House investigation will be restricted to banking questions, with little or no digression into the stock market, Federal Reserve credit policies or international problems. Group, branch and chain banking and other matters of bank operation will be thoroughly discussed. Hearings will be guided by no particular bill, but the committee has before it the following: Beedy bill to legalize branches of national banks within Federal Reserve districts; McFadden bill proposing that the Comptroller of Currency do all bank examination for his department and for the Federal Reserve; the Strong bill absolutely prohibiting all branch and chain banking.

Branch banking is in the air. Opposing unit banking sentiment is much less militant than ever before. Washington officials generally favor trade areas centering about some city. Some opinion favors Federal Reserve district limitations and state boundaries have adherents.

As the House becomes "technician" of domestic banking, broader questions are left to the Senate. These include Federal Reserve policies, the stock market and international questions. But Senate action is further away. Neither House looks for legislation for at least another year.

Banking ► Ran to Safe Port In the Storm

BANK stocks became more popular in 1929, as did common stocks. As with common stocks, the number of holders increased greatly during the year, and the stock market crash had little or no effect upon the trend.

Number of stockholders of 10 leading

New York City banks increased by 201% during 1929. Mergers, stock split-ups and capital increases accounted for much of the growth. The 10 institutions combined had stockholders numbering 201,096 at the end of the year, a gain of 136,406 during the period, according to compilations of *The American Banker*.

Changes in capital did not wholly account for the increase, however. During the last quarter of the year—period of the stock market crash—only one such change occurred in the ten institutions. But the number of stockholders grew by 59% for the group. Investors turned to bank stocks as they fell in price and as common stocks crashed.

Labor ► **How Women Work in Chains**

THAT 50% of women working in limited-price chain stores earned only $12 a week or less during 1928 is shown by a report just compiled by Miss Mary Elizabeth Pidgeon of the Women's Bureau, U. S. Department of Labor. For the last quarter of 1928, $12 was the median earnings of over 6,000 girls in 179 limited-price stores scattered through 18 states and five additional cities.

Only 7% of the girls earned as much as $18; 70% earned less than $15; 25% earned less than $10. While fixed prices prevail in chain stores regardless of location, wage standards vary from state to state. Highest wages were paid in California where the median wage was $16—fixed by law. Maryland had the lowest, an $8.80 median, although six other states—Alabama, Georgia, Kansas, Mississippi, South Carolina and Tennessee—had median wages of only $9.

Such wage policies appear quite out of harmony with other sound economic policies upon which successful chain store operation are based such as centralized purchasing, quantity buying, rapid turnover, small profits and big volume, cash sales, no delivery, etc. Statistics from 15 states show that limited-price stores suffer by comparison with most other industries in wage standards. Wages also vary among chains. In the study made of five chains, one paid consistently higher and another consistently lower wages than the other three chains.

▼

RAILROADS in the United States established a new low record for freight cars in need of repairs on Jan. 1, 1930. There were only 118,807 cars out of order then, or only 5.4% of the total. This beats the preceding low record of Dec. 15, 1929, when 5.5% were in need of repair.

Distribution ► **It Costs Money To Stand Still**

INDEPENDENT jobber warehouses have to meet costs four times those of chain warehouses. Their average warehouse cost is 2.5% of sales. The chain warehouses handle their goods for an average of 0.62% of sales. Thus reads a report of a recent study by the Foodstuffs Division of the Department of Commerce.

There is no reason, from an engineering standpoint, why the warehouses of the independents should not be just as efficiently handled as those of the chains, but this study indicates that the independents have not availed themselves of modern improvements, both in mechanical equipment and in organization technique. One of the reasons given for this is the common accounting practice of writing off physical property as rapidly as possible with the result that books show distorted values for physical equipment, encourage a distorted comparison with the cost of a modern warehouse modernly equipped.

The analysis of the Department of Commerce indicated that the most glaring defects of organization or method making the higher costs of the independents were: (1) Goods not arranged in order of handling convenience—unnecessary and slow moving goods left in preferred positions; (2) Too much broken package business—not enough coordination between buying and selling in the ordering of package sizes; (3) Lack of systematic routing and regularity of delivery; (4) Failure to use old stock—new orders piled on top—excessive spoilage.

Distribution ► **Put Louisville Survey to Work**

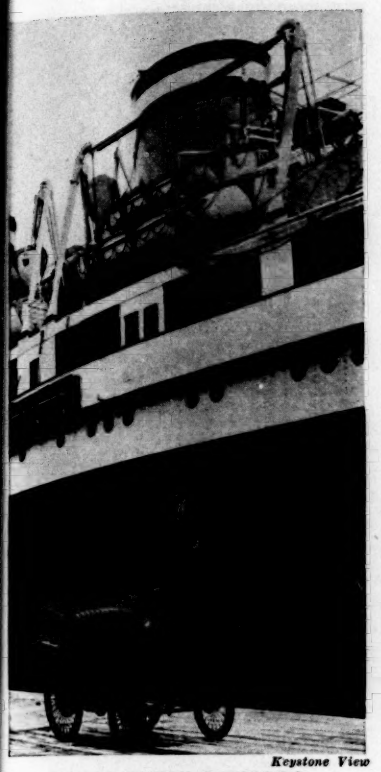
REVERBERATIONS of the Department of Commerce's Louisville Survey of grocery distribution continue. The Department is still reporting facts gathered during the survey, the National Wholesale Grocers' Association has begun publication of a series of bulletins interpreting the data, and, most important of all, Louisville grocers themselves are starting a program of application.

The first step in the Louisville program is a new credit system, under which wholesalers are to deal more strictly with the retailers. Surprisingly enough, the demand for this came from the retailers, many of the conservative wholesalers fearing that they would lose business by insisting upon strict adherence to credit terms.

Another application of data gleaned from the Louisville Survey, on store layout and stock control, is being undertaken by the Colored Merchants' Association, a retail grocers' cooperative. Good results have already been obtained in Montgomery, Alabama, and in Winston-Salem, North Carolina. The experiment has been extended to the Harlem district in New York, where it is being watched with much interest.

FIGHTING OIL MEN

Wirt Franklin, Independent Petroleum Association, Senator Elmer Thomas of Oklahoma and Wade H. James, Mid-Continental Royalty Owners Association, led 300 independent oil producers on a Washington-bound crusade to fight for a tariff on petroleum products. They had a pleasant ride



Keystone View

BOTH HAVE MOTORS

But the automobile—Germany's oldest motorcar, an 1898 Benz—develops one horse-power; the newest motorship, the St. Louis, will develop 12,000 h. p.

Labor ► **French Balk at Insurance Cost**

"FRANCE starts her social insurance plan," say the dispatches. Yet she has not started because the funds have not been appropriated. It is one thing to make a plan and quite another to pay for it. That is the rock on which most social insurance plans have foundered. Either they are reduced to such small terms that they fail of their purpose, as in parts of the German plan, or else they cost so much they become a burden on industry as in England.

The Chamber of Deputies is expected to eliminate all but partial old age coverage and a modified form of sickness insurance. The program originally contemplated compulsory insurance of a considerable proportion of French workers (estimated at 8,000,000 men and women in one dispatch) against death, old age, sickness and disability, and to provide special aid for large families, maternity and unemployment.

The act which authorized the plan was passed nearly two years ago, to go into effect February 5, 1930. The established date has passed but the enabling act is still lacking.

Personnel ► **Company Stock Still Looks Good to Employees**

WHATEVER effect the stock market crash might have had on employee stock ownership plans, it has not deterred some concerns from extending them. General Motors Corporation, General Electric Company and Bethlehem Steel Corporation have announced new profit-sharing plans in which employee stock ownership figures prominently.

General Motors has authorized the formation of General Motors Management Corporation to replace the Managers Securities Company, through which about 80 G. M. executives have become independently wealthy by sharing the company's profits. The Corporation will sell the new company 1,375,000 shares of General Motors stock at $40 a share; the company will pay $5,000,000 cash and will issue $50,000,000 of 7-year serial bonds for the remainder.

A profit-sharing contract will be made with the Management Company on the same basis as with the Securities Company; 10% of the net profits, after deducting 7% of the capital employed, are set aside for profit-sharing. Half of this will go to the Management Company; the remainder will be distributed as bonuses to junior executives in the form of General Motors common stock. The chief purpose of the new plan is to enroll under the profit-sharing plan many younger employees not members of the original Managers Securities Company.

More than 40% of the employees of General Electric Company subscribed $7,605,910 to the eighth annual offering of G. E. Employees Securities Corporation bonds. It was the largest subscription ever made and averaged $195 per employee. There are now 30,484 bondholders; average amount held is $1,117. The Securities Corporation invests its funds in General Electric stock and in the securities of public utilities and other enterprises in which General Electric is interested. The bonds bear interest at the rate of 6%. While the original holder remains in the employ of General Electric an additional 2% is paid by the Company.

Bethlehem Steel Corporation is offering to its employees 7% cumulative preferred stock at $125 per share. Stock may be paid in cash or in instalments extending over 9 months. While the offering price is $125 per share, only $113.56 will be deducted from employees' wages. While he is paying for the stock, he will be credited with dividends and will also receive special benefits of $1 to $5 a share for each share he holds up to 5 years. Last year nearly 42,000 or 68% of the employees subscribed for a total of 76,533 shares of stock.

Management ► **Put Man-Power Behind Prosperity**

"ORGANIZING for Permanent Prosperity" is the theme song of the National Management Congress to be held in Chicago, March 3 to 5. The meeting is cooperative and will be sponsored and participated in by the Society of Industrial Engineers, American Society of Mechanical Engineers, American Management Association, National Association of Cost Accountants, Taylor Society.

Eight sessions have been planned. They cover such subjects as development of science, technique and philosophy of management; waste elimination; distribution; mechanization of administrative functions; budgeting; plant maintenance; wage incentive plans.

Coincident with the Management Congress will be the National Industrial Equipment Exposition where a representative cross-section of management equipment, supplies and services will be available for inspection.

Pacific & Atlantic

IRISH BANKER

Captain Arthur Ronald Stansmore Nutting, Governor of the Bank of Ireland and director of a dozen corporations, arrives on the Aquitania for a short visit in the United States

Aviation ► **Reichstag Clips German Wings**

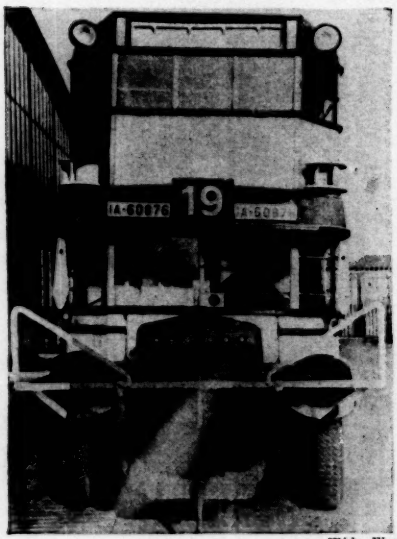
European Bureau The Business Week

THE straw that shows the way the aviation industry wind is blowing has bent just a trifle. The breeze is from Germany but it may be the first puffs of quite an international squall. In fact, coming from air-minded Berlin it has created a deal of stir.

Brusquely the Reichstag has announced that government subsidy in the form of orders for planes and engines will, in 1930, be cut from last year's approximate $2,160,000 to a bare $1,440,000. More threatening to the industry, only four companies will receive governmental bids for airplane equipment in future: Junkers, Dornier, Heinkel, and the Bayerische Flugzeugwerke. Focke-Wulf, Bremen, and Arado—all important—have been left out of the new arrangement.

The move, drastic as it is, comes after a warning. Last year when the $2,160,000 appropriation was paid to various manufacturers to cover deliveries on government orders, the manufacturers were warned to use it in a way to stabilize their industry and put it on a basis to operate without further subvention. That airplane builders are in such a serious quandary now indicates that few are on a sound business basis for independent competitive operation. Last reports from the Rohrbach factories told of the paying of November wages on December 20. There is no report of any wages having been paid since that time.

At present, the German industry is at the lowest ebb recorded in years. Competent authorities foresee the total disability of airplane construction if sufficient aid from other sources is not readily forthcoming. They contend that if the Big Four are to depend upon clipped subsidies as a chief means of support, they too will gradually be forced to suspend activities. As for the others, there is little hope of continuance in view of the fact that the current demand for planes from private sources is very limited. One thing is certain: the new government monopoly will effectively stifle competition. This is in marked contrast to conditions obtaining in other countries, especially England, where the construction of aviation equipment is given every encouragement, as well as a maximum of freedom from official meddling.



Wide World

CAT-WHISKERS FOR BUSES

Where they go the bus can follow. A new type of fender with which the Berlin Traffic Company is experimenting

Distribution ► **Candy Profits In a Pinch**

CANDY was a profitable retail commodity. Result—everyone wanted to sell it. Result—increased retail demand gave manufacturers a false idea of consumer-demand. Result—too many manufacturers, price-cutting, cutthroat competition. Anti-sweet advertising made its little contribution. Final result, gloom for the candy manufacturers.

That was a year ago. The public reacted from the anti-sweet drive—or, perhaps, to the publicity it gave to candy. Consumption, which had lagged last winter, picked up in the summer and fall so that sales for the year showed a normal increase. Meanwhile, the pinch had made industry think. Result—better credit practices, fewer customers and more sales per customer, more efficient sales efforts, less selling below cost. Final result—better net profits for the leaders.

Transportation ► **1930 Year for Bus Replacement**

THREE important factors—the beginning of a replacement market, expansion due to an expected increase in traffic, and the effect of the private automobile—are expected to make 1930 an exceptionally prosperous year for the bus industry.

The peak year in bus sales was 1925. Since five years is the average life of a bus, manufacturers anticipate a replacement volume of some 4,000 cars out of the 6,000 in operation. The increase in traffic will be at least 8% to 10%, according to data in the annual statistical issue of *Bus Transportation*, although some optimistic operators predict a 20% increase. The effect of the private automobile will, it is thought, be felt more than ever, as traffic jams drive more private cars off the streets.

International Newsreel

CHARLES EVANS HUGHES, JR.

He will resign as Solicitor General because his father has been appointed Chief Justice of the Supreme Court. He may be the next Republican candidate for Governor of New York

The purchasing power of the bus industry in 1929, excluding expenditures for new buses but including money spent for materials and maintenance, for shop equipment, and for fuel, oil, grease and tires, was approximately $133,187,500. Considerable sums were spent for terminals, which are rapidly replacing curbstone loadings and hole-in-the-wall stations. Operating revenues in 1929 amounted to $322,000,000, an increase of $23,000,000 over the previous year. An even larger increase is expected in 1930. A majority of operators appear to favor the existing rates, believing that a higher than 3-cent-a-mile fare would approach too closely to the railroad schedules.

Automotive ► **To "Sell" Trucks; Even Truck-drivers**

MOTOR trucks are to be "sold" to the public. The National Automobile Chamber of Commerce is instituting a campaign covering at least five years to emphasize the dependence of the public upon truck service. Chief reliance will be placed on newspaper publicity and speeches before business groups.

As a first step toward gaining public goodwill, truck drivers are to be taught courtesy and safety, through cooperation with truck owners' organizations.

Labor ► Dressmakers Win Strike to Stop Pressure on Employers

THIRTY thousand New York dressmakers have gone back to work after an unusually orderly eight-day strike. The trade throughout the country will be affected by the agreement reached.

Aimed outwardly at the elimination of sweatshop conditions, the strike was brought on by unfair competitive methods on the part of distributors. The manufacturer-employers, in this unique walk-out, were with the strikers. They were helpless in a situation that only the union had sufficient power to correct.

Women's ready-made dresses are made either by "inside manufacturers" who buy the textiles, cut them up, make the dresses and sell them to the retailers themselves, or else by "contractors", working on goods owned by jobbers who send the materials to the contractors on consignment to make up. Many contractors send out part of the work (perhaps all of it) to small "sub-contractors" after they have done the cutting up.

The inside manufacturing establishments were already almost thoroughly unionized. The contractors were smaller and more numerous. A good cutter could set up as a contractor overnight. The sub-contractors were still farther beyond control. It was in this third group that sweatshop conditions existed.

To the jobbers the dressmaking industry is a trading industry. They buy the piece goods from the converters and sell "to the trade" (wholesalers outside New York and dress retailers in the city). Getting the goods made into dresses is incidental, done on consignment. By close bargaining they forced contractors to resort to low-paid sub-contractors to get the work done. Once this practice was started, legitimate manufacturers could not compete, especially in the low-priced large volume trade.

Under the pressure brought by the strike, the jobbers have agreed to restrict their contract work to union shops outside of New York and to parties to the settlement agreement within the metropolitan district. They say they doubt if their requirements can be met within these restrictions but have agreed to try them out for 3 months, to continue if the plan succeeds. The union undertakes to police the industry. Disputes will be referred to an impartial adviser.

International

BACK TO WORK

New York's 35,000 unionized dressmakers have returned from the picket lines to the machine lines after a successful 8-day strike in protest against the industry's jobbing set-up

Cotton ► Cold Weather Hasn't Killed Boll Weevils

ONE of the factors that helped break the cotton market was the report that unusually severe cold weather had killed hibernating weevils—forecasting a big crop next season.

Entomologists of the Department of Agriculture say we have never had a winter cold enough to kill all weevils. Ordinarily 5% to 6% of the weevils survive the winter, but no accurate forecast can be made as no one knows how much absolute cold is necessary to kill them off. Also, the percentage of survival is dependent somewhat upon the condition of the weevil when going into hibernation—whether he is well-fed or lean.

The important weather factor in weevil propagation is the time from now on. Weevils are expected to appear in the lower Rio Grande valley the end of this month, and will probably be out in Louisiana by March 1. If the weather from now on is sunshiny and dry, the weevil will have a hard time—if it is rainy and cloudy, the planter will have to cultivate his banker.

Retailing ► The Public Is Picking Its Stores

THE preliminary January report of department store sales by the Federal Reserve Board shows only a 2% decrease in sales below January, 1929. But it also reports decreased sales from 342 stores against increases from 148 stores. Boston sales were 7% greater than the same month last year although 63 stores reported decreases and only 41 increases. San Francisco sales were only 2% less than last year although 44 stores reported decreases and only 22 increases.

Reports from other cities do not show the shift quite so strikingly, but there are indications of it in nearly every city. The public is quitting the mediocre stores and swinging its business to the fewer up-and-coming stores which give the consumer what he wants.

Distribution ► Profits to Get Preferred Place

A REPORT of chain store sales by E. A. Pierce & Co. superseding the monthly report formerly issued by Merrill, Lynch & Co., now a part of the Pierce organization, tells of increases but emphasizes the following significant paragraph:

"It is understood that, in spite of the generous increases (of gross sales) being reported by many chain store companies, some corporations will concentrate this year more on profits than on sales. In several cases it is understood that while a normal increase in volume will be aimed at, even greater efforts will be used towards putting into effect efficiencies and economies which will increase the net per dollar of sales, with a view to increasing total net profits above last year's figures."

Banking ► **How Much Weight The Crash Took Off**

THE national banking system continued to lose weight in 1929. Comptroller Pole's report on the system for the end of the year shows large declines for the period. The figures:

Total resources of the banks were $1,706,673,000 less than a year earlier. Deposits in national banks were $1,573,887,000 less, totaling $22,773,493,000. The system contained 7,408 banks, or 227 less than a year earlier, and 67 less than three months earlier. Resources and deposits of banks in the system increased in the last three months of the year, but this is seasonal and is accounted for by year-end settlements.

The stock market crash cost the banks a tidy sum. Surplus and undivided profits of national banks dropped $25,700,000 in the last quarter of the year, during which the market collapsed. Despite this loss, surplus and undivided profits grew by $63,592,000 during the year. The profit and surplus loss of the last quarter shows that all of what normally would have been a substantial gain for this period was wiped out and $25 millions in addition were taken.

This report adds a new comment on the year's bond market depression. Investments in securities by national banks dropped off $669,475,000 during 1929. Holdings of government securities alone decreased $396,636,000. Bank investments consist largely of bonds or other securities of the various subdivision governments. Sale of such a large amount from this source alone, not counting sales by other banks, was a strong factor in unsettling this market. During the last quarter, however, these banks purchased $104,742,000 of securities other than government bonds.

Railroads ► **B. & O. Move Fits Into New Plan**

BY authorizing the Baltimore & Ohio to acquire control of the Buffalo, Rochester & Pittsburgh, the Interstate Commerce Commission this week approved a step in harmony with its consolidation plan. The order is considered a victory for the Baltimore & Ohio and a setback for both the Delaware & Hudson and the Pennsylvania, in opposition.

This action settles the claim that the section of the Interstate Commerce Act authorizing independent acquisition of control by stock purchase and other methods has been superseded in some degree by the Commission's complete plan. To this contention, the I. C. C. has replied, in effect, that although it is ready to receive applications for consolidation under its plan, the other method is still in full force.

The order forecasts favorable action on application of the B. & O. to acquire the Buffalo & Susquehanna.

Port of Buffalo will be developed as a lake gateway, superseding Fairport, Ohio. Port of Rochester will also be opened with its car ferry connections across Lake Ontario to Coburgh, Ontario, with the Canadian National.

International

OPTIMIST

"There are no safer industrial investments in the world than the leading securities of America," wrote Viscount Rothermere, British publisher, after his recent visit to the United States

Development of south-bound traffic over a single line between Buffalo and Baltimore, largely through movement of grain for export, will be encouraged in competition to the Pennsylvania line, although the latter is some 200 miles shorter and possesses more favorable grades.

Exports ► **Bleak January For Britons**

GREAT BRITAIN'S foreign trade continued discouraging in January. Both exports and imports decreased, being lower than in the preceding month and lower than in the same month of 1929. Unemployment reports show 130,000 more out of work than a year ago. Aggressiveness of the United States and Germany in foreign markets is relegating Britain definitely to third place in world trade (THE BUSINESS WEEK, December 11). Her January exports were $41,800,000 below a year ago; imports were $61,300,000 less.

Automotive ► **Other Countries Add Cars Faster**

AUTOMOBILES in use throughout the world on January 1, 1930 totaled 34,880,000—an increase of 3,028,000, or 9.5%, over a year ago. For the United States, alone, total registrations were 26,565,000—an annual increase of 2,064,000 or 8.5%. The rest of the world gained 957,000 or 13% to acquire a total of 8,315,000 motor vehicles.

Exports of automotive products during 1929—from this country and from American-owned plants in Canada—were valued at $772,660,000, over $60,000,000 more than for 1928; this despite the fact that prices were generally lower throughout 1929.

These figures summarize the information on automotive foreign trade collected and published by *The American Automobile* (Overseas Edition). Motor vehicle registrations figures have been obtained from about 135 countries of the world ranging from United States with 26 million cars down to Seychelles Islands with 14. While automobile ownership has been growing steadily in this country, the increase abroad has been at a much faster rate. Since 1925, world registrations have increased about 65%; exclusive of the United States the increase for the period has been 130%.

There are 3 foreign countries with over 1,000,000 automobiles—Great Britain, France and Canada; 12 others have more than 100,000 registered. Last year was a banner sales year for many other countries besides the United States. Argentina, New Zealand, South Africa, Chile, parts of Europe and the Far East enjoyed the most prosperous year in their history. Six years ago the United States had 7 automobiles for each 1 owned abroad. Now the ratio is reduced to 3 to 1.

With 1 automobile for each 5 citizens the United States still leads, but other countries trail closely; New Zealand and Canada have 1 car for each 7 inhabitants; Australia and South Africa are not far behind.

The large increase in our exports was caused chiefly by greater shipments of trucks, foreign assembly parts and miscellaneous automotive products; passenger car shipments fell off somewhat for the first time in many years. Truck exports increased in all sizes, with smaller trucks—including Fords—going 50% ahead of 1928. Operations of overseas assembly plants also increased greatly. Estimated total assemblies for 1929 was 355,000 compared with 229,000 in 1928.

What the Figures Show

THE business records of the first week in February are considerably more reassuring. Basic industrial activity continues its steady gain, and there are some signs of more activity in general trade. There seems to be little doubt left that business has passed the low point of the recession.

Steel mill activity continues to increase at about the same rate as for the past few weeks, the average for the industry rising nearly 4% for the week, from 77% of capacity to 80%. This brings it fairly near to the 87% figure of a year ago. The Steel Corporation is operating at between 83% and 84% as against 80% a week ago and 89% last year. Independents are reported at about 76% as compared with 73% last week and 84% a year ago. These figures are probably slightly inflated by reference to a capacity rating about 4% below present conditions, but the evidence of steady gain is unquestionable. It is supported by a steady flow of automobile demand to meet generally increased February and March schedules. Structural steel demand continues also at around 50,000 tons per week. The Chicago district is still the most active; Pittsburgh lags and Youngstown is reported to be stationary. There is some mention in the trade of ingot production running ahead of fabricator demand, but this would be in anticipation of a good spring peak in March and April. Prices show greater steadiness and scrap steel continues to strengthen.

BUILDING activity is still lagging somewhat. The latest four weeks daily average of general contract awards is running lower and is still considerably below last year. The same is true of heavy construction awards as reported by the *Engineering News-Record*. This however, is the slack season between fall and spring activity, and contemplated work is running at higher levels.

Bituminous coal production, though at a slightly lower rate for the latest week, is still running high under pressure of low stocks and severe weather demand. The petroleum production rate is up again for the week but still below last year. Difficulties in production control increase and prices are weakening.

THE price situation is somewhat more encouraging, with increased strengthening in most markets. The wheat average declined further for the week to a point about 5 cents lower than a year ago, but there was a general strengthening toward the end of the week under influence of Farm Board stabilization operations. The cotton average showed a sharp slump for the week and is more than 4 cents below last year's level, but here again prices strengthened later under Farm Board influence and a fairly favorable January report of the cotton cloth trade. The iron and steel composite remained steady for the week and copper was unchanged pending release of January figures. Fisher's all-commodity index rose slightly, but the National Fertilizer Association index showed further decline for the week ended February 8

FIGURES OF THE WEEK

PRODUCTION	Latest Week	Preceding Week	Year Ago
Steel Mill Operation (% capacity)	80	77	87
Building Contracts (F. W. Dodge, daily average in thousands, four weeks' basis)	$10,755	$12,219	$15,776
Bituminous Coal (daily average, 1,000 tons)	*1,937	‡1,951	1,946
Petroleum (daily average, 1,000 bbls.)	2,614	2,595	2,694
TRADE			
Car Loadings (daily average, all classes, 1,000 cars)	150	144	158
Check Payments (outside N.Y. City, millions)	$ 5,840	$ 5,004	$ 6,640
Wheat Receipts (1,000 bushels)	3,390	3,216	6,565
Cotton Receipts (1,000 bales)	117	168	208
Cattle Receipts (1,000 head)	*144	158	138
Hog Receipts (1,000 head)	*705	‡805	692
Wool Receipts (1,000 lbs.)	4,896	4,412	4,088
PRICES (Average for the Week)			
Wheat (No. 2, hard winter, Kansas City, bu.)	$ 1.12	$ 1.14	$ 1.17
Cotton (middling, New York, lb.)	$ .158	$ .167	$ .200
Iron and Steel (composite, ton)	$35.24	$35.24	$36.25
Copper (electrolytic, lb.)	$ .172	$ .178	$ .171
All Commodities (Fisher's Index, 1926-100)	93.4	93.3	97.1
FINANCE			
Total Loans and Discounts, Federal Reserve member banks (millions)	$16,625	‡$16,676	$16,254
Commercial Loans, Federal Reserve member banks (millions)	$ 8,934	$ 8,995	$ 8,696
Brokers' Loans, New York Federal Reserve member banks (millions)	$ 3,450	$ 3,402	$ 5,568
Federal Reserve System Ratio	77.9	78.0	69.8
Stocks Sold (N. Y. Stock Exchange, 1,000 shares)	20,143	18,927	22,565
Stock Prices (N. Y. Times, average 50 stocks)	$221.72	$216.31	$243.18
Bonds Sold (N. Y. Stock Exchange, par value, thousands)	$54,129	$49,383	$46,545
Bond Prices (Dow, Jones, average 40 bonds)	$ 93.89	$ 93.75	$ 95.69
Interest Rates—Call Loans (daily average)	4.4%	4.4%	6.6%
Interest Rates—Time Loans (daily average)	4¾-5%	4½-4¾%	7½-7¾%
Business Failures (Dun, number)	619	545	550

* Preliminary ‡ Revised

GENERAL trade indicators as well as strengthening prices suggest some improvement in the general business situation. Total carloadings increased for the last week of January, as they usually do, but still remain at lower levels than in some years. Non-bulk carloadings showed a somewhat larger increase for the week than took place in the past two years but are still considerably below 1928 and 1929 levels.

Total bank debits increased sharply for the week by about 22% but are still 25% below a year ago. In 131 cities outside of stock-trading centers the increase for the week ended February 6 was somewhat larger than took place last year and check payments in these cities were only about 8% below a year ago, and above 1928 figures.

PRELIMINARY figures on retail trade for January showed a 2% decline in department store sales compared with January, 1929. Comparison with the same month of the past ten years, excepting 1929, is more favorable, for the department store index is above that of every January from 1919 to 1928. Increases were reported for Boston, New York and Richmond districts.

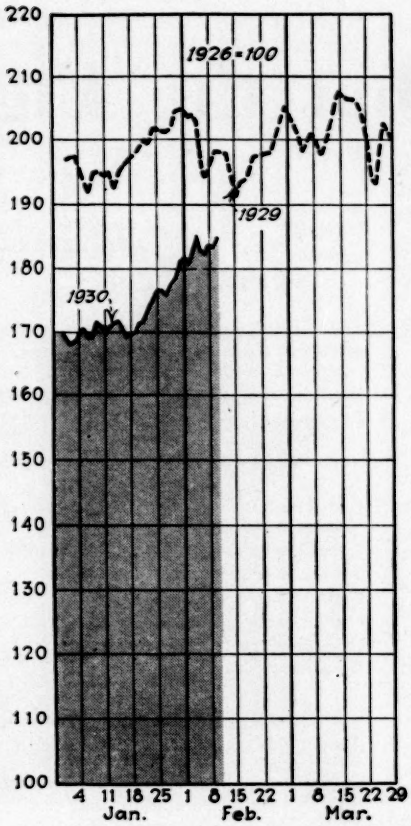
The number of business failures is running higher than in the previous week or a year ago.

Money and the Market

STOCK prices blew alternately hot and cold this week. The reaction expected after reaching new high ground last week developed in due order. After the Wednesday holiday, strength on the upside was renewed. Average prices again went beyond the best showing since the fall crash.

Sharp bidding up of utilities which began last week continued through this one. The utility group showed the most marked gain. Rail issues felt the same pressure and ran up sharply at the first of the week. Incidence of many earnings reports, mostly unfavorable, was felt then and prices wavered. Industrials generally receded until Tuesday, when they snapped back.

Trading is largely restricted to the high grade "favorites." The movements of the "averages" do not reflect numerically the movement of the majority of stocks. Last fall before the crash, the market was frequently said to be "selective." That condition applies at present



THE MARKET DAY BY DAY

(Standard Statistics Company's Daily Stock Price Index)

with equal or greater truth. The averages do reflect the majority of speculation, however, as well as investment.

Central bank rate changes in recent weeks are the most powerful strengthening factor in the market. The effect is not an immediate one, but must be important over a longer term. The New York Reserve rate reduction to 4% recorded last week was followed by a deluge of cuts by other Reserve banks. The rapidity of the changes was almost unprecedented. Chicago and Boston have cut to 4% with New York. The five banks which last week were charging 5% have all come down to 4½%.

The effect upon business, like the effect on the market, will not be at once apparent. Bill rates have been cut this week, and the Federal Reserve has reduced its buying rate to the 3¾% level of the market. Call money has tended softer, but has not been below 4%. Time loans likewise have been a bit easier. Banks are considering cutting the rate of interest paid upon deposits but have taken no action.

Brokers loans moved upward again, by $48,000,000, to total $3,450,000,000. This marks an increase of more

than $100,000,000 in two weeks, and is the first sharp upward move since the market crash. New financing has been fairly heavy, but the move undoubtedly shows an increase in margin speculation. Out-of-town banks accounted for the increase. With considerable reduction in indebtedness to the Federal Reserve and small demand due to business recession and seasonal causes, a number of these banks have some spare funds.

The bond market was stimulated momentarily by the rediscount rate reductions and other monetary easing, but wavered almost immediately. Over a longer period, the rate reductions will help this market if they, as well as other easing, are sustained.

Sterling and franc exchange moved lower this week. A number of separate causes were probably accountable. The rate changes were all by ½% and so left interest rates in the same equilibrium. Bank rates of several other smaller nations abroad came down this week following the lead of the United States, Germany, England and France. The Banks of England, France and Germany gained gold in small amounts.

Federal Reserve position was almost unchanged from last week, despite the many rate changes. Bills discounted total $381,000,000, the same as last week. Government security holdings are $478,000,000 against $477,000,000. Acceptance holdings decreased $19,000,000. At New York, discounted bills rose by $25,000,000, offset by a drop of $20,000,000 in acceptance holdings.

The Reserve system is warily awaiting the effect of the lower discount rates. Normally a reduction in the discount rates would be accompanied by open market operations to make rates generally easier and funds more plentiful. The rate reductions this time, however, were more from business than banking considerations.

Gold movements were nil. The Federal Reserve reported $92,000 imports from Latin America. No exports or change in earmarkings were shown.

Member bank credit, as recorded by the weekly reporting banks, showed small decrease. Loans were off $51,000,000 and investments dropped $27,000,000. It is interesting to note that, for these banks, total credit extended now is $168,000,000 lower than a year ago. Loans, however, are $371,000,000 higher. The change is in investments, which are $539,000,000 lower than a year ago.

Industrial Activity Turns Up in January

REPORTS on the industrial consumption of electric power received by the *Electrical World* from some 3,800 manufacturing plants indicate a distinct upturn in industrial activity during January from the low point reached in December. On the basis of the amount of power used by industrial concerns the rate of manufacturing operations in the country as a whole during January was 4.6% above that of December. As compared with corresponding months in previous years this January was 8.1% under January, 1929, but 2.9% above January, 1928. In short, the January rate of industrial operation, though considerably lower than the exceptionally high rate of activity a year ago was still substantially above that during the corresponding period of the last general business recession in the winter of 1927.

The upward trend in manufacturing, as compared with December, was marked in the main industrial regions of the country—12.6% in New England, 4.4% in the Middle Atlantic states and 17.4% in the North Central states. There was a continued drop in manufacturing activity in Southern and Western states, the southern states reporting a decrease of 15.6% and the western states 8.7%. All sections of the country reported January operations under those of January, 1929.

The increases over December in the main manufacturing groups were largest in rubber products, 32.2%, automobiles, parts and accessories, 25.7%, rolling mills and steel plants, 18.7% and food products, 18%. Leather products showed an increase of 3.7%, shipbuilding 3.2% and textiles 2.4%. Stone, clay and glass products reported the largest drop in activity compared with December, 15%, followed by paper and pulp, 8.6%, chemical products, 7.7%, lumber products, 5.7% and metal working plants 0.4%.

Compared with last January three manufacturing groups, chemicals, food products and shipbuilding, were operating at a higher level.

Steel Especially

THE complete figures for January on steel production and orders support the impression of rapid increase in steel activity which has been given by the weekly percentages of operation, and show that there has been a definite upturn in this basic industry.

Steel ingot production in January was 3,786,319 tons, or a daily average of 140,234. This was about 30% above December, but 16% below last January and only 5% below January of 1928. This January's figures were considerably better than those for January, 1924 and about the same as for January, 1927. An upturn in steel production is usual between December and January, but the improvement this year was considerably greater than in 1924 or 1927.

The January production works out at a rate of 71.51% of capacity, which compares with 59.07% in December and 84.80% in January, 1929. As these figures are based upon a capacity rating as of the end of 1928, since when capacity has increased by at least 4%, the January figure is probably around 68% or 69% of real capacity. This suggests that there has probably been little abnormal in the recovery in steel so far.

Unfilled orders of the U. S. Steel Corporation as of the end of January also made a good showing. They amounted to 4,468,710 tons—the largest on record since February 28, 1926. Steel orders have increased every month since last August, and from the figures of production and unfilled orders it is estimated that new orders in January amounted to about 1,100,000 tons and shipments to somewhat more than 1,000,000 tons—about the same as in October, before the stock market crash. Since bookings in the last three months of 1929 were generally considered to be held up by large rail orders, the season for which has now passed, the January unfilled orders figures reflect a healthy state of general steel demand.

Building, Too

FURTHER evidence of upturn in basic industrial activity in January is seen in the F. W. Dodge figures of building contracts for the month. While the increase over December was only 2%, this was the first time in nine years that the January total exceeded that for December. January normally falls behind December even in boom years. The last time when January building contracts increased over December was in 1921, marking the turning point from a prolonged building recession.

Not only did general building contracts increase in January this year, but this month had the highest recorded volume of contemplated new construction, amounting to $1,455,349,600, an increase of 68% over the contemplated new work reported in December and 78% over the amount reported in January, 1929. Of this total over $800 millions consisted of plans for public works and utilities.

But Trade Lags a Bit

ALTHOUGH January figures so far available show general trade lagging behind basic industry, they are not altogether unfavorable. Postal receipts in 50 industrial cities of January showed an increase of nearly 3% compared with January, 1929. January sales of 46 chains systems showed an aggregate increase of 9.53% over last January, only five companies reporting decreases. The number of new enterprises incorporated in New York State during January showed a sharp rise, reaching a total of 2,280—the highest since last May.

And New York Employment Drops

IN contrast to these general signs of business revival the complete employment figures for New York State released this week show a decline of 2% below December and 6% below last November. The State Industrial Commissioner, who recently took issue with Federal government reports of increasing employment during January, says the New York State figures were probably the lowest for January in the fifteen years of record. More than 100,000 employees are reported to have been laid off since the middle of October.

1929 Profit Records Cheer

PRELIMINARY computations of corporation net profits for 1929 made by the National City Bank, covering 806 companies, show an increase of 12.5% over 1928. Manufacturing and trading corporations gained 16.8%, railroads 7%, telephone companies 7.1%, other utilities 15.3%. In the manufacturing field the most sensational gains were made by iron and steel (70.7%), agricultural implements (64.1%), silk and hosiery (50%), rubber (51.9%). Amusement corporation profits increased 85.6%, shipping concerns 67.3%.

The conspicuous declines in profits were in automobiles (–10.2%), cotton mills (–13.8%), meat packing (–6.3%), fertilizers (–21.1%). Sugar producing corporations showed a deficit for the year.

The Standard Statistics Corporation reports net profits of 389 industrial corporations, excluding U. S. Steel, increased 17% in 1929 over 1928, while 48 utilities showed an increase of 17.5% and 36 railroads an increase of 14%.

Trade Associations Under Investigation

Price-fixing complaints flood Department of Justice which, after giving public warning, has now gone into action. That is the sum and substance of the "new anti-trust policy of the administration"

THERE isn't any recipe for combination to fix prices that will stand the test of law.

It isn't a matter of the Sherman Act or the Clayton Act or any other act. Price-fixing by collusion has been illegal for centuries; it violates the common law, which is as old as our courts.

But some business men, guided by various advisors, seem to think they have found a formula, a recipe, in the trade association. There are 3,800 trade associations, according to the Department of Commerce handbook. The overwhelming proportion of them are useful, law-abiding, harmless.

But some of them seem to think that because President Hoover has encouraged sensible coordination and cooperation through trade associations, because they have drawn up codes of practice, often under governmental blessing, they are thereby free to regulate production, fix prices.

THE Department of Justice, prodded by an astonishing flood of complaints, is investigating a number of trade associations. Some of the cases of price-fixing are flagrant. These practices must be stopped.

The trade association can come in and revise its practices to make them conform to the law. Or, if it be so hardy, if it wants a test case on some phase of its activities, it can stand trial. That is up to the defendant.

This is the core, the heart, the sum of the "new anti-trust policy" of this administration—which isn't new at all, unless the fact that this is a busy year makes it new.

The spurt of activity, however, results not from the new Attorney-General's desire to go crusading. It is the direct result of complaints—a flood of them, unprecedented in volume. For the most part, they come, not from the ultimate consumer, but from the retailer.

The slump in business is believed to explain the crop. When everyone is sailing along happily and prosperously, no one complains. Comes a pinch, and business men begin to count pennies, look for leaks, seek price concessions. They begin to complain of conditions that either escaped their attention or were ignored when business was in the flood tide of prosperity.

Pacific & Atlantic

GAVE A WARNING

William D. Mitchell, Attorney General, spoke plainly Oct. 25 before the American Bar Association

Distribution preoccupies business today. How to make things is not, by and large, an engrossing topic. How to sell monopolizes attention.

All the business development of the decade has been toward improvement of distribution methods. To this end, most of the mergers. To the same end, most of the trade associations.

The past few years have seen more mergers than ever before in history and more cooperative associations. It is too much to expect that among so many, all should be within the law. Bankers and business men have put together some of these groupings with a nervous eye toward Washington.

BUSINESS has been extremely nervous since October 25 when Attorney-General William D. Mitchell addressed the Bar Association in Memphis and sounded a note of warning.

"What's he going to do? What will be the administration policy? Is a great trust-busting crusade in preparation?"

As the months passed, business grew more and more nervous—its tremors quieted not a whit by the activity of federal investigators who, in the excited phrase of downtown New York, "swarmed all over the place."

Well, there need have been no mystery. The Attorney-General has no liking for publicity. Nor has John Lord O'Brian, assistant to the Attorney-General, in charge of the anti-trust division. They will make no sensational headline material—not willingly. But they make no secrets, either. Both of them told the public exactly what they were about.

All that business needed to do was to look up "the dope" on Mr. Mitchell in St. Paul and on Mr. O'Brian in Buffalo. Their home town friends could have told anyone who inquired that Messrs. Mitchell and O'Brian are singularly alike—both quiet, firm, learned in the law but thoroughly practical, with no trace of fanaticism but plenty of common sense, and—most to the point at the moment—in the habit of meaning no more and no less than they say.

AND this is what they said:

Mr. Mitchell at Memphis: "Until the political philosophy underlying the present anti-trust laws has been abandoned by Congress it will be the duty of

the Attorney-General to enforce those laws and we shall undertake to do this without prejudice and with fairness, but with firmness. The Department of Justice is not the place in which to amend the anti-trust laws or any other Acts of Congress.

"Our material prosperity has been so overwhelming, our business institutions have been increasing in size and number with such leaps and bounds, that I fear there has been a disposition here and there to go too far and transgress the law. The machinery of some trade associations seems to have been made use of for transactions that come dangerously near price fixing. With every disposition to refrain from any interference with legitimate business the anti-trust division of the Department of Justice proposes to deal vigorously with every violation of the anti-trust laws which comes to its attention."

Mr. O'Brian, before the Appropriations Committee of Congress:

"It is reasonably apparent the work this year will be more extensive than it has been for many years. It is a matter of common knowledge that the economic tendency has been toward larger units in industry, and the number of combinations, mergers, and consolidations that have been effected in the present year is undoubtedly larger than any other year in our history.

"One of the phases of our work that undoubtedly will be increased, and very materially increased, is in relation to the activities of the trade associations. They are likely to be the subject of extensive inquiry, because of the multiform character of these associations, and the great variety of plans under which they operate. Some of those have already been investigated since I took office, and have been warned as to certain of their practices, and have desisted. Others will undoubtedly refuse to desist and this will mean an increase in the work this year."

Mr. Oliver: "What do you find to be the chief abuse in these cases that you have referred to?"

Mr. O'Brian: "The chief abuse is price fixing."

Plain enough, what? And it may be stated authoritatively that that is all, there isn't any more.

MANY trade associations have had bad advice. Some have fallen for "plans" of various kinds—the Smith plan, the Jones plan, christened for the devisor who believes his shrewdness has evolved a recipe that will do the trick (of price fixing) without getting caught on the barbed wire of the law. Clumsier,

International News

EXPECTS BUSY YEAR

John Lord O'Brian, senior, Assistant to the Attorney General, in charge of anti-trust law enforcement

but in no greater trouble, are the boys who have got together under guidance of a professional secretary who "understands the racket." They have wasted a lot of ingenuity studying the Clayton and Sherman Acts—forgetting that if the statutes don't get you, the common law must.

Colonel Donovan, under the previous administration, received business men who were contemplating actions, especially proposed mergers, which might or might not be contrary to the anti-trust laws, and he told them whether the Department saw anything in their propositions to prosecute. He always put in his letters of advice a paragraph which read:

"As the facts in this matter are understood by the Department, they represent no occasion for the institution of proceedings under the Federal Anti-Trust Laws at the present time. Inasmuch, however, as the transaction may at some future time become the subject of court proceedings under the Federal Anti-Trust Laws, the Department expresses no opinion as to its legality."

As Attorney General Mitchell explains, referring to the submission of such propositions for advice, the Department has never had "power to license anyone to violate any statute." He goes on to say: "We have found . . . that such proposals often have some practical elements that are not fully developed when the proposals are submitted . . . and the transactions, seemingly innocuous, have, in practice, worked in apparent violation of the anti-trust laws." This quotation may explain the present policy better than a direct description.

Mr. Mitchell points out particularly that the Department will continue to receive those who want to submit their proposed transactions. He says: (1) if the Department thinks the proposition is illegal, it will say so; (2) it will also say so if it feels the proposition to be questionable and in need of court interpretation; (3) otherwise, it will decline to express any opinion unless the case is entirely and clearly O.K.

So far, let it be said, the present administration has not felt justified in any case to declare that it sees no objection. It has advised some that their propositions are considered illegal. The net result of the utterances of Mr. Mitchell and of the advice given in the early cases apparently has been to discourage further seeking of advice, for there has been none during the past three months. (Or perhaps there haven't been any propositions to submit since last October.)

OFFICIALS in Washington think it unfortunate that word got around last spring that this administration would let up on the enforcement of the laws. It is quite contrary to the philosophy of Mr. Hoover as well as of the rest of his cabinet—and especially of Mr. Mitchell—even to consider the changing of law by means of nullification. It is the sworn duty of the executive department to enforce the laws enacted by the legislative branch. It was unthinkable to anyone knowing the present group in the executive family that it could see its duty otherwise.

That the Department of Justice is acting on that principle is amply evidenced by the record of suits filed since the new administration came into office almost a year ago:

A monopoly in the roofing tile business was broken up by two suits, one which was closed by a *nolo contendere* plea, and the other by a consent decree. Suit has been entered to stop a moving picture leasing scheme suspected of being a device to freeze out independents. An important suit has been brought against a beet sugar corporation charged with selling beet sugar at a loss and buying sugar beets above the natural market in order to bring competitors to terms. This suit, by the way, strikes at some fairly common distribution practices and may be helpful in eradicating a group of harmful trade practices.

The Fox movie merger and the Warner Brothers Pictures merger have both been taken to the courts. These

cases are widely known and probably need no comment. And a case alleging illegal trade practices designed to monopolize interstate commerce in saw frames and blades has been attacked. Finally, the oil people have been told to keep away from price control. None of these latter cases have yet reached decision.

Probably few business men would want general legal sanction for their industries to indulge in any of the practices which have been described in these suits. For those who demand modification of the anti-trust laws, a careful study of the kinds of cases carried to court by the Department of Justice would be an interesting experience. In the light of its own experience, the present administration in Washington is fairly satisfied: that there is no important modification of the anti-trust laws needed at the present time, and that such further definition as may be currently helpful can be obtained by court decision.

ONE particularly significant case has been brought by the Federal Trade Commission under the Clayton Act. Complaint has been entered by the Commission against the McKesson-Robbins drug organization that has been built so fast during the past year. Parts of this development were submitted to Colonel Donovan who saw no wrong in them as they were presented. Now when the completed organization begins to emerge, the Federal Trade Commission questions it.

A national jobbing organization has been formed by merging some 68 wholesalers with non-competing territories. It is similar in general conception to the national jobbing organizations in the electrical industry and the new one which is now in the process of formation in the radio industry.

There is some possibility that the McKesson-Robbins case may prove to be one involving merely a legal technicality. If the assets of the jobbing concerns prove to have been taken over and the stock cancelled before the entering of the complaint, the case may be voided because it was brought under the Clayton Act instead of under the Sherman Act. Apart from this question, however, there is the broad one of interest to many trades as to whether there is any legal restriction against the formation of national jobbing organizations. Perhaps such organizations offer the logical escape from the present distressed conditions of jobbers in many trades.

The McKesson-Robbins case, however, may not turn on the wholesaling organizations so much as on the contracts with the 20,000 cooperating retail drug stores. The grocery retail cooperatives and other similar cooperative organizations would like to have court assurance of the legality of the various types of cooperative contracts which have not yet been before the courts. For instance, can a retailer go in contracting to restrict his purchases to one wholesaler without its being considered restraint of trade? And whatever the answer to that question may be, can a retail contract be considered interstate commerce even if the wholesaler is in another state? Since there are now more retail cooperative stores than chain stores, the importance of these questions is obvious.

Or again, the case may turn on the relations between the wholesaling organization and the manufacturers. How far has there been restraint of trade in the contractual relations established there? The answer will affect all of the many types of current experiments in contractual relations between suppliers and jobbers in many different industries.

WHATEVER way one looks at it, the McKesson-Robbins case appears to be of the greatest significance to everyone engaged in the distribution of products from the original manufacturer to the retailer. It is hoped by many people who are studying the new developments in distribution organization that this opportunity to secure decisions on at least some of the important points involved in the McKesson-Robbins suit will not be beclouded by a technical legal issue.

It must be remembered that many cases brought to the courts are important to business more because of the fact that the decisions rendered in them serve to establish definite principles than because of the mere restraint of illegal acts. The uncertainty of the law may be more disturbing to business than the continuation of the illegal acts themselves.

However, the Department of Justice feels that there need be no uncertainty on the question of how it will administer the law as defined. Its answer is that it will actively enforce the laws which it finds upon the books; that that enforcement will be fair, and directed at abuses rather than at persons; that honest business can look to the federal government for cooperation and help with no fear that it will not get a square deal.

A New Formula for American Financing

European Bureau
The Business Week

THE Standard Steel Car Finance Corporation, one of the Mellon interests, has signed contracts with the Polish car-building firm, Lilpop, Rau & Lowenstein, whereby the American corporation will finance the Polish concern with $40,000,000, spread over a period of ten years in half-yearly instalments and secured by notes of the Polish Ministry of Finance. The Standard has also purchased a half interest in Lilpop, Rau & Lowenstein for $1,000,000, which will be used to modernize certain departments of the plant. At the same time, the Polish concern has signed an agreement with the Polish Ministry of Railways to deliver 14,000 freight cars and 1,100 passengers cars within seven years. Two hundred and 110, respectively, are to be delivered in 1930.

The notes of the Ministry of Finance will be tendered to the car building company in payment for the cars delivered. Upon the deposit of the notes with the Bank Zachodni of Warsaw, the American corporation will deposit corresponding amounts in cash to the credit of the Polish company. The notes are to be deposited semi-annually at a rate of about $4,000,000 a year.

The transaction is of unusual interest because it not only is the most important deal ever effected by an American company in Poland, but because it provides a new and efficient formula for American participation in local companies in foreign countries.

All three of the parties affected will receive important benefits. The Polish Railways will be enabled to divert to other purposes the cash funds which would otherwise be required for the purchase of rolling stock. The Polish manufacturing company will be able to grant credits to neighboring countries, such as Roumania, Bulgaria, Yugoslavia, Esthonia and Latvia. The American company will get a safe investment and a favorable rate of interest. Polish financial and industrial circles have greeted the arrangement with the utmost satisfaction.

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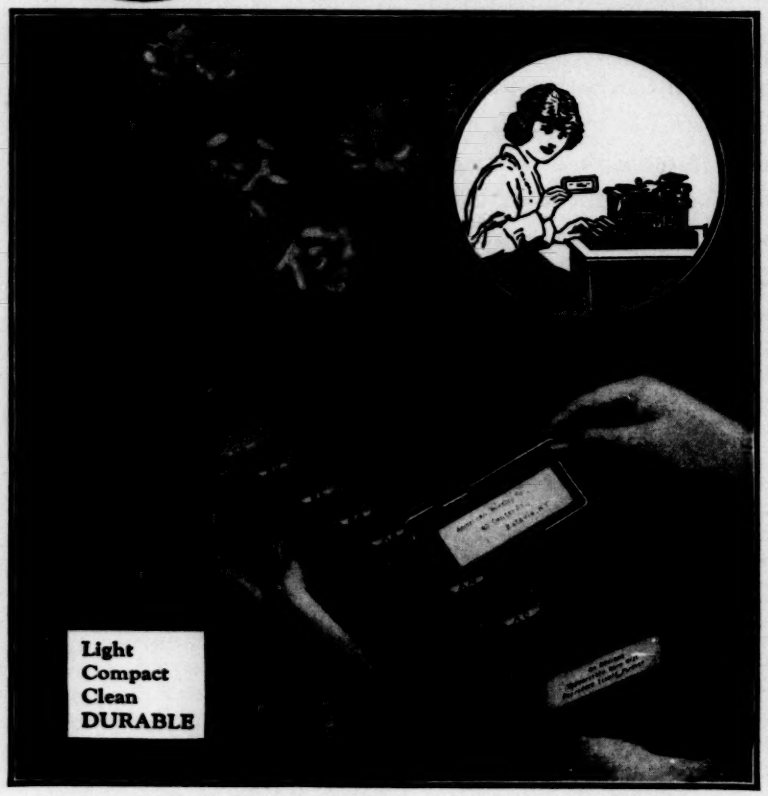

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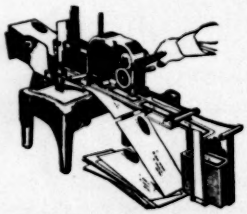

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WITH dairy products at low levels, warehouses bulging with butter, and farmers over-producing milk, attention is due a branch of the industry which has been doing a successful job of aggressive selling by advanced marketing methods. Evaporated milk is well-organized, presenting a united front. Its sales promotion is scientific, based on facts dug up by laboratory research.

Over-production exists, to be sure. Volume of evaporated milk in storage is some 35% more than a year ago, as against butter's more than 80% increase. But stocks are declining. In December, production was 6.1% more than a year ago, but 23% more was absorbed by the trade. There has been a further decline in surplus stocks since.

Consumption in 1929 was 9% more than in 1928, about the same as the previous year's increase. It seems likely that increases will continue. Since canned foods are cheaper than fresh, their sales are proportionately more in a slack period. A pound can of evaporated milk, which is a quart of milk boiled down half, sells usually for 10¢ retail, at present around 8¢ and less. The milk can is the poor man's milk bottle. He needs no ice to keep it.

But evaporated milk manufacturers have refused to be satisfied with a ready-made market of necessity buyers. Per capita consumption, they say, is a "measly 12 pounds," almost one-third of which is used in coffee. Half the housewives of America never bought a can; some have strong prejudices against it. The big sales job is to create new markets by educational work. The immediate objectives infant feeding and home cooking.

Dr. Frank Rice, who manages the Evaporated Milk Association, is a chemist, who believes in research, and uses it. Though he modestly denies it, he is an economist, too. His logic applies to many lines other than his own:

"Price reduction is not the way to make non-users buy. Butter prices averaged higher in 1928 than in 1929, and yet more was sold. We owe it to farmers, to the public, to ourselves, to spend the money to teach people why, when, where, and how it is advantageous for them to use what we sell. If our industry is unprofitable we cannot do this. Therefore, it is our duty to make profits. No one wins a price war, not even the buyer."

Canada Risks All On One Last Throw

Provincial governments come to Wheat Pool's aid as "the gamble of the century" faces desperation

DOES the Canadian Wheat Pool stand to lose in its gigantic gamble?

The question is being asked not only in Canada, but in London and Liverpool, in New York and Chicago, and in other commercial and financial centres of the world.

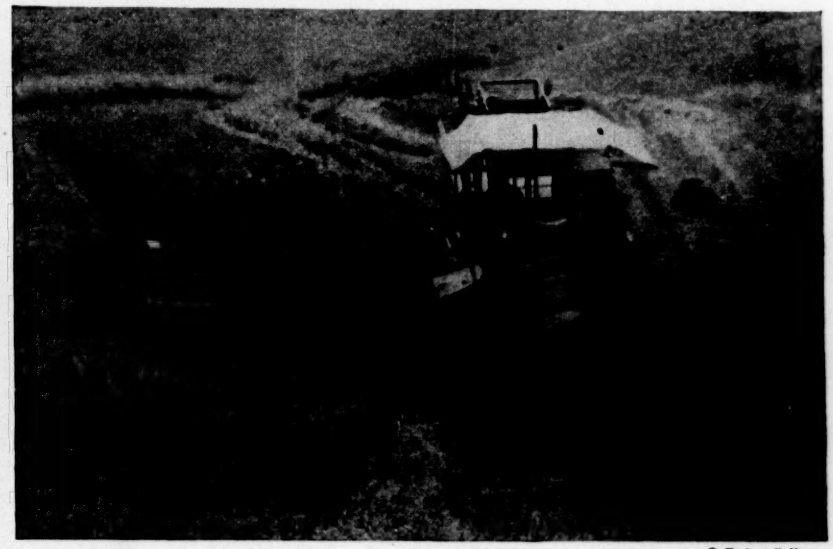
Canada is desperately anxious, for the Wheat Pool's gamble has already cost the country dearly and the cost will be infinitely greater, if it is lost.

No one can yet say bluntly that the Pool is beaten in its self-appointed contest with the wheat buyers of Great Britain and Europe. One more chance remains—the chance that the 1929 crop of the southern hemisphere, now going into the European market, will be exhausted before the 1930 winter crop of the United States is available. That last hope is, admittedly, not a confident one. If, in May or June, it is shattered, the Pool is defeated. Its defeat will be attended by repercussions very disturbing to the economic fabric of Canada. And the odds are against the Pool.

But, while refraining from rendering a decision before the final round, one must observe that the Pool awaits the finish of the fray in a badly punished condition. It was worsted in the early rounds. It had expected to emerge a winner in the late autumn, but its opponent, backed by luck in the form of unprecedentedly heavy harvests in France and Germany, was too strong. Undaunted, it looked for victory in January, when it was anticipated that the surplus of last season's crops in the Argentine and Australia would be exhausted, and again it was disappointed. British millers have been able to secure their requirements without coming to Canada right up until now, when the new crops of the southern hemisphere are available.

THE failure of the expected January triumph very nearly spelt the immediate defeat of the Wheat Pool. Had it been left to its own resources, it would have been forced to throw its wheat on the market at buyers' prices. But the state intervened.

So magnificent is this gamble that the stakes have come to embrace much more than the price of wheat. The economic condition of the community is involved. The governments of the three prairie provinces, Manitoba, Saskatchewan and Alberta, came, therefore, to the rescue of the Pool, pledging their entire resources to its credit to prevent collapse of the wheat market. Through this state intervention alone is the Pool enabled to hold on.



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The ultimate outcome is so unpromising, its possibilities are so disquieting, that certain western interests are now proposing that the federal government of Canada should step in and take over the risk from the Pool by guaranteeing the farmers a fixed price for their wheat, as was done at one time during the war as an emergency measure.

The Wheat Pool itself, professing (as a gambler must) continued confidence in its position, denies it is a party to or has any knowledge of this proposal, but even if so, other interests undoubtedly look to Ottawa to save the situation.

THE crisis which led to provincial state intervention was produced by drastic price recessions on the Winnipeg Grain Exchange in January. Common and entirely credible report had it the banks financing the Wheat Pool served notice that this recession was threatening the protective margin they require between the amount of the loans and the value of the grain. The Canadian Bankers' Association issued a belated denial (Feb. 10), said the action of the provincial governments was entirely voluntary. Voluntary or not, it was necessary.

The Pool operates on bank credit, advancing to the farmers $1 a bushel on their wheat on delivery. Normally, the indebtedness to the banks is largely liquidated in the autumn and early winter as the wheat is sold for export, but when the Pool refused to put its wheat on the market at prevailing world prices the banks backed it up by continuing the loans.

But the bank credit is limited to 85% of the value of the grain, and when May wheat dropped to around $1.25 a bushel at Winnipeg, or approximately $.50 below the market value in the fall when the loans were advanced, something had to be done to preserve a safe margin.

The recent price recessions which caused the crisis were due in large part to the failure of the overseas millers to turn to Canada for supplies. The bad luck bobbed up from still another unexpected quarter. Mining and oil stock brokers had been playing the wheat market, and when the provincial governments two or three weeks ago began investigations of their affairs, they hastened to unload in order to get their accounts into shape. This added to the depression of grain exchange prices.

ALTHOUGH the Pool is rescued for the present by state help, the immediate trouble is not over.

The Pool controls only about half

the grain trade, the remainder being in the hands of independent companies. The latter, either on understanding with the Pool or otherwise, have also been withholding their wheat from market. They also are being required to provide additional security for carrying their loans.

All Canada is alarmed at the disclosure of the financial difficulties of one of these private elevator companies, fearing it is the ominous rumble of approaching collapse.

The Electric Elevator Company of Winnipeg, being unable to meet the demand of the Bank of Montreal for additional security on a loan of about a million, the bank took steps to seize its wheat in storage. Apprehensive of serious disturbance in the delicate situation, the Board of Grain Commissioners, an agency of the federal government, intervened to prevent the seizure. At the same time, the Grain Commissioners tried to have Winnipeg Grain Exchange interests and other independent grain companies come to the rescue.

It is hoped an accommodation may be reached, but the refusal of the other companies to respond to the appeal for help has led to the suspicion that they too may be on the edge of the precipice. Not only the company in question but others in the trade are reported to be heavily involved on the "long" side of the wheat market, and if they should be compelled to submit to forced liquidation the effect on the market might well be disastrous.

The intervention of the provinces hasn't served to greatly abate the recession in prices. Prices are about $.45 a bushel below those prevailing last August, when the Pool began withholding its wheat from the market.

Moreover, the Pool must deduct even from present prices the added carrying charge. The charge for interest, insurance and storage comes to about $.0175 a bushel a month. For the five months since September 1, this amounts to $.09 a bushel. Continued to May, the added cost will be $.14. In addition, if overseas purchasing began now, the extra cost of the all-rail haul from the head of the lakes to the seaboard would be another $.12 over the cost of carrying the grain to ocean port in the autumn.

MEANTIME, the effect produced on luck that has attended the Wheat Pool. Some would call it poor judgment or heedlessness. Disappointment was first encountered when an unexpectedly large surplus of wheat from the 1928 crop of southern countries, where no storage facilities are available, was thrown on the European market. Next came the unusually heavy harvests in the principal European countries, reducing Italy's import requirements and giving both France and Germany an export surplus where formerly they had imported wheat. Later came the general stock market collapse, and after that the difficulties of the Canadian mining brokers and traders.

And now a potentially more serious factor has entered the situation. The public of Great Britain, more easily exercised by any suggestion for the artificial increase in food prices than by almost anything else, appears to have become persuaded that the Canadian Wheat Pool is attempting to boost the price of English bread for the greater and unjust profit of Canadian farmers, and is carrying resentment to the length of a virtual boycott of Canadian flour. In the larger cities of England, chain restaurants and bakeshops to the number of several hundred have displayed in their windows signs announcing that they do not and will not use flour made from Canadian wheat. Public sentiment is evidently indifferent to the fact that a Canadian content in flour produces a superior bread.

In London, slogans on one side of the street advocate boosting Empire trade and on the other side are boycott notices against Canadian flour.

OFFICIALS of the Wheat Pool are in London for consultation with Rt. Hon. J. H. Thomas, Lord Privy Seal, on the question, mooted during the latter's visit to Canada last year, of the bulk purchase of Canadian wheat in exchange for heavier Canadian buying of British goods. They have decided to exert themselves in an effort to assure the British consumer that they are not seeking to exploit him.

Prospects that Britain and other importing countries will have to turn to Canada a few months hence when other sources of supply are exhausted, are none too bright. The export surplus of the Argentine, now going on the market, is estimated at 80 million bushels. Australia is figured to be good for 40 million bushels and the Danubian countries for another 40 million. Thus, 160 million bushels is in sight, which, with consumption of the importing countries placed at about 40 million bushels a month, should supply the demand until sometime in June.

About July, American winter wheat will begin moving out of Galveston. So that at most, the period of shortage during which Canadian wheat may become a necessity overseas should be under two months. This would limit forced buying in Canada to between 40 and 80 million bushels, whereas the latest official estimate of the Canadian export surplus is 200 million bushels. If the resentment against the Wheat Pool policy continues, the English people will be prepared to go far in the way of using substitutes in their determination to limit the consumption of Canadian flour.

MEANTIME, the effect produced on the country by the Wheat Pool's gamble does not make a happy study. Both external and internal trade have suffered severely, the first as a direct and the second as an indirect consequence of the wheat holdout.

Curtailment of railway traffic and reduction in purchasing power resulting from the holding back of the wheat have contributed heavily to unemployment. Between $200 and $300 millions of Canadian bank funds is tied up in the financing of the Wheat Pool and independent companies (although the banks give the assurance that this entails no restriction of credit for other legitimate business). The credit structure of Western Canada has been deranged and merchants and jobbers are in a serious position. Canadian exchange has been depressed in foreign markets.

And, even allowing for the bare possibility of a favorable issue of Wheat Pool policy, the end is not yet. What, then, if the Pool, as now seems probable, is forced to ignominious surrender?

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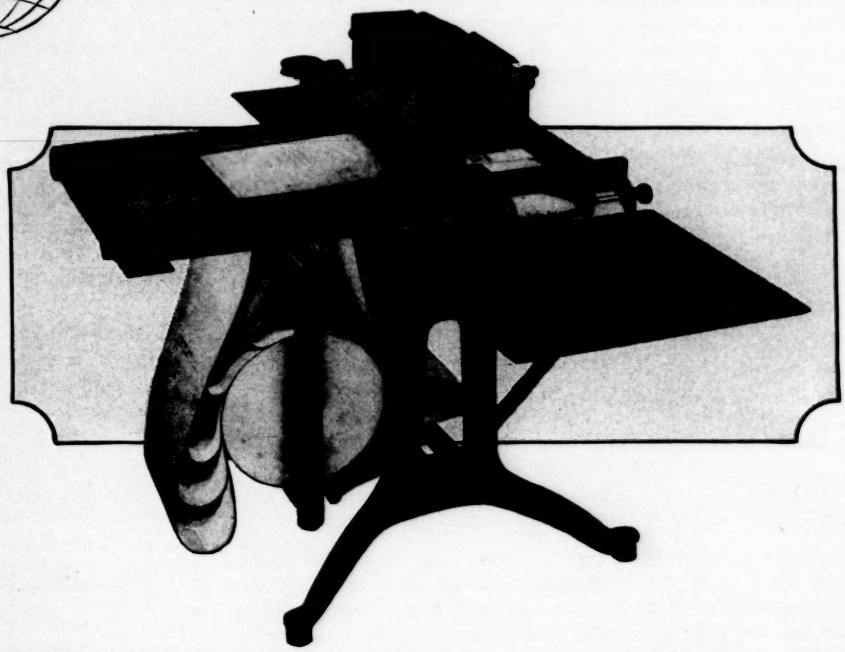

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Swift Survey of Business Abroad

EUROPE

By Special Cable to The Business Week

APART from the continued readjustment of bank rates to lower levels and the flow of capital from surplus to deficiency countries, business conditions are featureless. So far no general pickup is apparent, though only Eastern Europe reports further contractions of activity. Continued mild winter weather is bringing an early decline in coal production after recent record levels. Continuing low world cereal prices delay the recovery of farm purchasing power, important to development of the year's business. There is interest in the fact that the United States, at the last minute, appointed an observer to the tariff truce conference.

By Special Cable to The Business Week

Great Britain—Business, encouraged by the lower bank rate, is cheerful. Interest at present is focussed on the Coal Bill and on the budget. Foreign iron and steel demand is strengthening, but coal contraction is especially sharp in Wales where, also, there is a congestion of idle shipping. The section of the industry spinning American cotton is expected to reduce from a 48- to a 35-hour week for the next eight weeks. New Sugar Exchange opens at Liverpool on February 25, reviving futures, onetime Liverpool feature which was suspended during the War. The India $30,000,000 6% 2-year loan proceeds are met. Maturing nine months notes are oversubscribed, interpreted as showing increased confidence in the India situation. With world wide tin production restrictions now effective, the price of the metal is firmer. British-Dutch rubber stabilization negotiations are progressing.

By Special Cable to The Business Week

Germany—Despite lowered money rates the expected business revival has not yet materialized. Industrial trends are mixed, but in general indicate weaker domestic purchasing power, especially in agricultural groups, and stronger export demand. The rate of increase of unemployment is slower, the total now being 2,200,000, slightly below the figure for this time last year. Governmental finances are the principal anxiety of business leaders. Moldenhauer's program of increased taxes is necessary to meet existing deficits but incurs the united opposition of all parties. Business is opposing an increase of the sales tax from ¾% to 1%; Bavaria is opposing the doubling of the beer tax; the Socialists are opposing the borrowing from healthy employees' insurance funds towards payment of the unemployment doles.

It is reported that the Food Minister is urging the government warehouse to finance 100,000 tons of the surplus rye crop, thus permitting the recovery of collapsed prices for this grain.

Instancing difficulties among domestic automobile companies, Wandererwerke, one of the largest manufacturers, after a 6% dividend in 1928, announces a $400,000 loss in 1929. Conversely, anticipation of tariff increases stimulated January automobile imports and sales. The Upper Chamber ratified the Young Plan but not unanimously, Bavaria and Mecklenburg abstaining, and the eastern provinces registering opposition. Favorable action in the Lower Chamber is expected about February 22.

By Special Cable to The Business Week

Belgium—Business is more spotty. Textile strikes spread. Year's adverse trade balance increases from $36,000,000 to $98,000,000 due to triple increase of imports over exports. In Antwerp, diamond cutters, working for several months only in alternate weeks, will return to regular schedules at the end of the month. Amsterdam cutters, working only three days a week since December 1, will resume full time schedule.

By Special Cable to The Business Week

France—Notable financial activity with a large exodus of francs, especially to Germany, is a feature of the week's business. Many heavy domestic capital issues have been offered, but the stock market is moribund. Transfer of $80,000,000 from the treasury surplus to the internal debt amortization fund is authorized.

Record January carloadings reflect continued industrial trade activity. Rolling stock orders for 1930 already approved total $45,000,000. Automobile production in 1929 is estimated at 260,000 units compared with 210,000 in 1928. There were moderate gains for the majority of manufacturers, the most conspicuous being the Citroën increase from 70,000 to 96,000. That company is now floating a $6,000,000 5% loan for plant expansion. The social insurance law becomes effective July 1.

By Special Cable to The Business Week

Spain—Market is quiet. Business is marking time watching political developments and deferring commitments as long as the peseta is uncertain. The decree is repealed requiring conversion of all foreign exchange receipts into domestic currency.

By Special Cable to The Business Week

Sweden—A subsidiary of Kreuger & Toll begins construction of the world's largest pulp mill with 10,000 tons capacity.

By Special Cable to The Business Week

Russia—Trade surplus in 1929 is 54,000,000 rubles, compared with the 1928 deficit of 158,000,000 rubles. Imports from the United States totaled 53,000,000 rubles; from Germany, 188,000,000 rubles.

By Special Cable to The Business Week

Austria—Business still is retrogressive. The year's adverse trade balance stands at $155,000,000, which shows no material improvement over last year, and leaves the country with perhaps the highest per capita deficit in the world. Bank rate is reduced to 6½%. Treaty of amity with Italy implies liquidation of dispute over southern Tyrol.

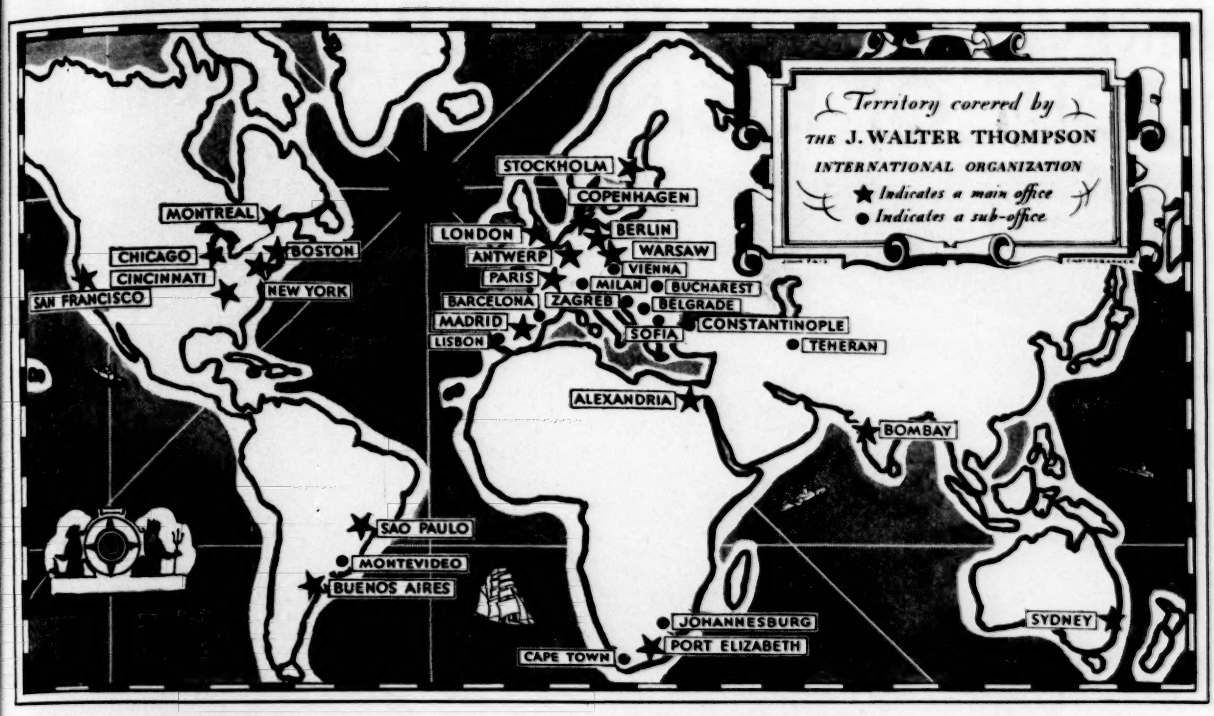
Complete reorganization of the huge Mautner textile group segregates to separate units the mills in Austria, Czechoslovakia, and Hungary.

By Special Cable to The Business Week

Greece—Reduction is proposed for one-half of the corporation net profits tax, repeal of the industrial loan tax, postponement of the social insurance bill, and reduction of certain export and import tariffs.

By Special Cable to The Business Week

Turkey—There is a possibility that the country will seek a moratorium after the May payments of the foreign bonded debt. The government is organizing a Foreign Exchange Central and requiring the surrender of 80% of the receipts and no outside purchases. Finance Minister announces Commerciale Italiana is advancing $5,000,000 on eventual loan of $25,000,000. Also, the Soviets have agreed to deposit $1,600,000 against purchases.



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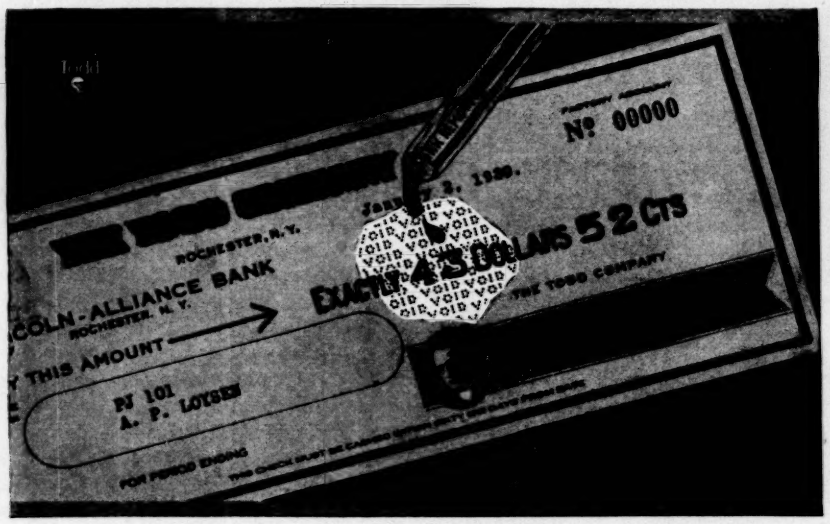

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TODD SYSTEM OF CHECK PROTECTION

"Stainless" Sees No Market Limits

THE recent incorporation of Associated Steel Alloy Company, which will market nirosta, nitralloy, and other special steel products produced by the Timken, Sharon and Ludlum companies, calls particular attention to the tremendous increase in the use of the series of high chromium alloys commonly known as "stainless steel." Though it has been but 15 years since Brearley and Haynes, in this country, added chromium to steel to make it highly resistant to rust, corrosion and oxidation, some 30 makers are now offering various types of the alloys. One manufacturer lists 130 possible uses for the material.

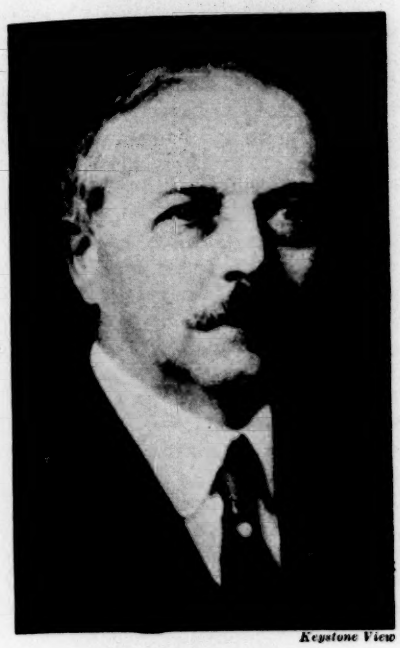
The earliest use of stainless steel was in the manufacture of Sheffield cutlery. The industrial possibilities were indicated in 1926, when the steel was used in making the equipment of a nitric acid plant. Since then the alloys have invaded the automobile field, and have made much progress. Some 300 parts of Pierce-Arrow cars are made of stainless steel, and Ford uses it for all the bright metal parts of his new model.

So far however, the chemical industries have been the greatest users of the alloys. Their introduction revolutionized the manufacture of nitric acid, and made the synthetic production of ammonia very profitable. Gasoline-cracking processes are carried on in stainless steel equipment, and it is extensively used in the milk and dairying industries.

In building construction a notable example is the Chrysler Building in New York. The tower of this structure—the highest in the world—is receiving a coat of stainless alloy, and the material was used for window frames, inside and outside trim, panels, metal work and other parts. Other articles in which stainless steel is either being used now, or will unquestionably be used in the future, include ovens, golf clubs, gun barrels, fishing rods, reels, drafting instruments, airplane parts, tools, surgical instruments, tableware and kitchen utensils, heaters, boilers, plumbing fixtures, lighting fixtures, pipes; in fact, practically everything which would give more satisfaction if made of a material capable of resisting rust, stain, tarnish, high temperatures and pressures and erosions.

The principal deterrent to their more widespread use has hitherto been high cost. But an increasing demand will furnish the incentive for increased production and, consequently, lower costs.

Seiberling Comes Back at 71



Keystone View

Broke ten years ago, today again a power, Akron believes he will head Goodyear once more, put in command by Eaton

AKRON, O., believes that when springtime and Frank A. Seiberling return from Florida, Seiberling will once more be found in his old Goodyear Tire & Rubber Co. The three-year contracts under which the Goodyear management carries on will expire March 31, but no change of consequence is expected other than the addition of a chairman of the board. The chairman, Akron forecasts, will be Seiberling.

Seiberling is now 71. Nearly ten years have passed since he went out of Goodyear in the upheaval that followed the smash in the crude rubber market. He went out owing millions, all his property trusteed, his home gone, a $15,000,000 fortune swept away; but he had powerful and devoted friends, and they staked him. His debts and his stock holdings were consolidated in the Prudential Securities Co., the notes of which were guaranteed to $5,300,000 by Edgar B. Davis, who had been as spectacular a genius in his own way.

A YEAR after the $200,000,000 Goodyear company had been taken away from him Seiberling established his own little new company, and recently was building it up at an amazing rate. Meanwhile he continued the largest stockholder in Goodyear; his friend Davis had also become important in its ownership.

Seiberling's friends were active in the successful attack on the Dillon Read voting trust in Goodyear three years ago. Dillon, Read & Co. now have remaining only one director.

At the same time interest in Goodyear was kindling in another quarter. Cyrus S. Eaton, partner of Otis & Co., Cleveland, and rationalizer of public utilities and steel, was buying Goodyear stock for his management companies, particularly Continental Shares. Eaton was seeing in the rubber industry an opportunity for the same sort of stabilization which he believed could be made effective in the independent steel industry.

Today Seiberling, Davis, Eaton, all friendly, probably can combine to intervene in Goodyear whenever they wish. Not that Goodyear needs intervention. But the rubber industry is once more consolidating. B. F. Goodrich has been gathering in companies like Miller and Hood, threatening Goodyear's prestige in tire volume. If Goodyear exemplifies Republic Iron & Steel it would be logical for it to absorb Seiberling's $10,000,000 tire company. And Seiberling.

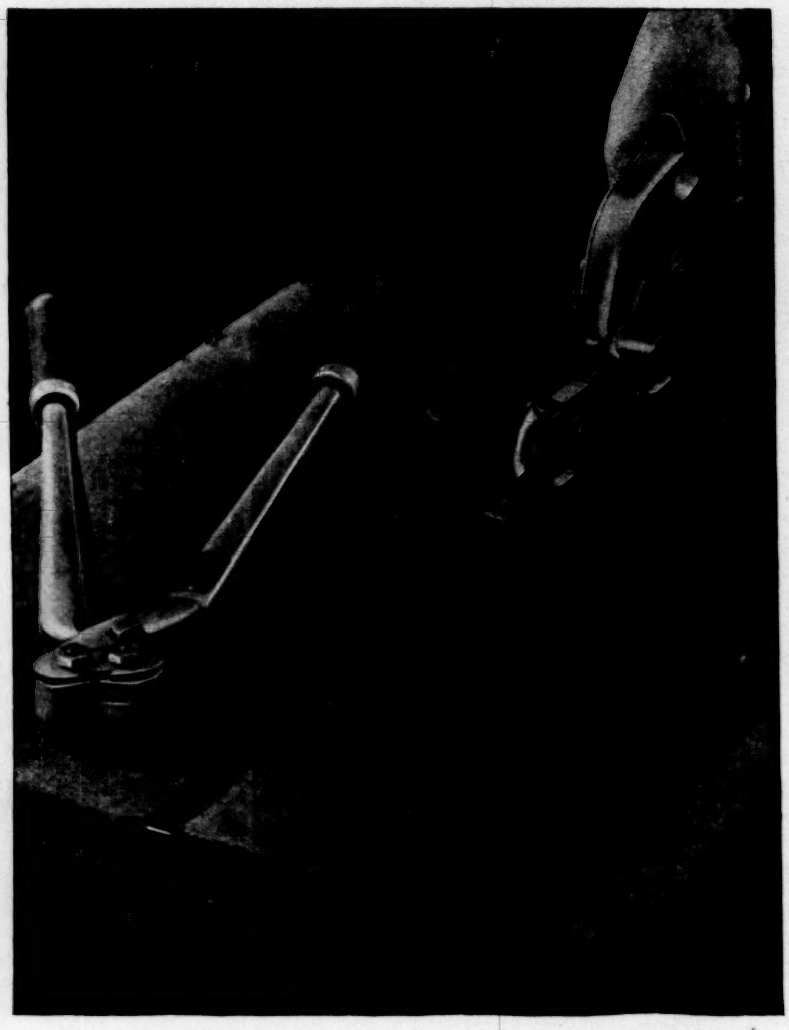
Some intimation of what might be in store for Goodyear and Seiberling had been looked for at the Goodyear directors' meeting in Akron Feb. 10, but no changes took place. If changes are contemplated they are likely to come in March. President Paul W. Litchfield is friendly with Seiberling and they could work together as they did before 1920.

Seiberling's company had recently been regularly increasing its sales volume each year by more than 40%, but last year it lost the 1928 gain, and incurred a $242,000 deficit. It is still nearly $3,000,000 to the good in surplus, but Seiberling and his brother concluded that each year's dividends must be earned. So the common was passed. One of the spells that come over the tire industry every six or eight years was again in swing, it appeared, and this time Seiberling may not want to carry on the last ditch fights that have distinguished his career in other years.

NOT without reason had Seiberling been called the Napoleon of the tire industry. Very short of stature, but with enormous physical energy, amazing mental staying power and courage, he had rallied from many a financial scrape. He was within an ace of failure in the "rich man's panic" of 1903. At that time one of his many good friends persuaded the United States Rubber Co. to take over Goodyear. With the contract in his pocket he went to his board and gave them enough new courage to go out and placate the creditors. The company was in the clear in another year. At that time the company was still doing less than 2% of the tire business, and its great expansion did not start until the early war years. In the second decade Seiberling, Litchfield and others built it up to the point where it had become the largest manufacturer of tires in the world. Goodrich had a greater volume of business in those days, but not in automobile tires.

SEIBERLING founded the company with the same impetuousness of decision with which he fought his way through later difficulties. He bought a strawboard factory in 1898, intending to make strawboard, but in the next day or two decided on tires, because rubber was the livelier business. In 1901 he formed the first pool of tire manufacturers on the example of the electric light pool, then legal, and about the same time he invented the straight side tire. In 1909 he was commencing to build abroad.

In 1916 Seiberling decided the rubber companies must begin to control their materials. The man who interested him in raw rubber was Edgar B. Davis, a man of kindred spirit who had left a $25,000 job in Brockton, Mass., to travel around the world. In Sumatra Davis saw possibilities in rubber and persuaded the United States Rubber Co. into plantation ventures there. Davis made $2,000,000 out of plantations. Goodyear in 1916 cleared 21,000 acres of jungle and laid out the largest plantation of all. In the same year Seiberling started long staple



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11

1880 ACME STEEL COMPANY 1930

OUR GOLDEN ANNIVERSARY

cotton cultivation in Arizona to supply the material needed in place of the embargoed Egyptian cotton. Raw materials proved Seiberling's undoing.

In the meantime Davis had spent his money drilling for oil. On $57,000 which Seiberling then lent him he made another fortune. Eventually Davis sold for $12,000,000. Part of this he used later to back "The Ladder." When Seiberling was pressed by his creditors in the fall of 1916 Davis and John N. Willys of Toledo came to his help. Together they handed him $900,000. When that was not enough Davis endorsed the notes of the Prudential Securities Co. for $5,300,000. Two years ago Seiberling's debt was liquidated and Davis released from his guarantee. Widely published at the time, the story became one of the classics of business romance. A new corporation, Goodyear Shares, Inc., was established in place of the dissolved Prudential and in it Seiberling and Davis, of Luling, Texas, and New York, are associated. It controls the largest single block of Goodyear stock. Eaton's Continental Shares owns shares both in this company and in Goodyear directly.

THE Seiberlings, F. A. and Charles W., are Akron bred. Their father invented the "dropper" reaper and ran a small factory. It failed. The Seiberlings busied themselves in a number of manufacturing enterprises, and it was not until Frank Seiberling was 39 that he got into tires. Akron knows and loves the Seiberlings to a degree perhaps not equalled by any of the thinning first generation of tire manufacturers there.

Seiberling spends his summers at Hessel, Mich., a few miles from Mackinaw Island. There on his island he plays a scientific game of croquet and tennis. At one point on the wharf of Seiberling Island is a heavily marked whitewashed line carrying the word "Spank." That, visitors are told, is the point beyond which no child under 12 dares go unaccompanied.

Seiberling and his wife have four sons and two married daughters, and several grand-children. Mrs. Seiberling, who was formerly president of the National Federation of Music Clubs, is a contralto soloist of note and a patroness of struggling musicians. When they built their million-dollar home, Stan Hywet Hall, in Akron a number of years ago they designed it around the music room, which seats 300. This was the home that Seiberling lost for a time in the distresses of 1920, but which was restored to him on his remarkable comeback.

Who Is Getting These Russian Orders?

Advance figures from Soviet purchasing agency show how trade with this country is being split up among the various states, industries, and firms

RUSSIA, unrecognized politically by the United States, unable—until within a year—to do a credit business in this country, has come to the aid of depressed American industry. A Cleveland manufacturer admitted a few weeks ago that, in the November and December lapse of automobile orders, had it not been for enormous Soviet machinery purchases many Cleveland factories would have faced a shutdown.

The Boston *Herald,* in January, reported: "Employment for several hundred additional men will be furnished by the Bethlehem Shipbuilding Corporation, Ltd., in filling a contract possibly mounting to more than $1,000,000 to recondition 13 steamers recently acquired by the Soviet government, through the Amtorg Trading Corporation of New York, from the U. S. Shipping Board for $1,155,000."

In Stockton, California, Soviet industrialization was made real to an incredulous population when 100 carloads of tractors from the Stockton plant of the Caterpillar Tractor Company were started on their way in a single shipment to Oakland and thence, by motor ship, to Russia. Two more shipments of equal size have been made since December.

The Allis Chalmers Company, in Milwaukee, has orders for 1,850 tractors valued at $3,500,000. This year's tractor shipments to Russia of all United States orders will be completed early in March, will total 20,125 units valued at $30,000,000. In addition, Amtorg, buying for all Russia, purchased through New York 17,000 ploughs, 2,000 grain drills for seeding machines, and 18,000 special drills for cotton and corn. During 1930, new agricultural implements valued at $100,000,000 will be supplied the Soviet collective farms.

REVEALED in advance to THE BUSINESS WEEK are 1929 purchase figures of the Amtorg Trading Corporation, showing the states which have had the greatest share in the trade.

Far in the lead of all others, with total exports amounting, in round numbers, to $25,000,000, is Texas, export center for vast, but diminishing, quantities of cotton bought by the textile syndicate, and shipped to northern Russia. In 1928-1929, total Soviet cotton purchases in the United States were valued at $30,000,000, compared with $52,500,000 in 1927-1928. Rapid expansion of the cotton growing area, particularly in Turkestan, accounts for decreased imports through Galveston and Houston.

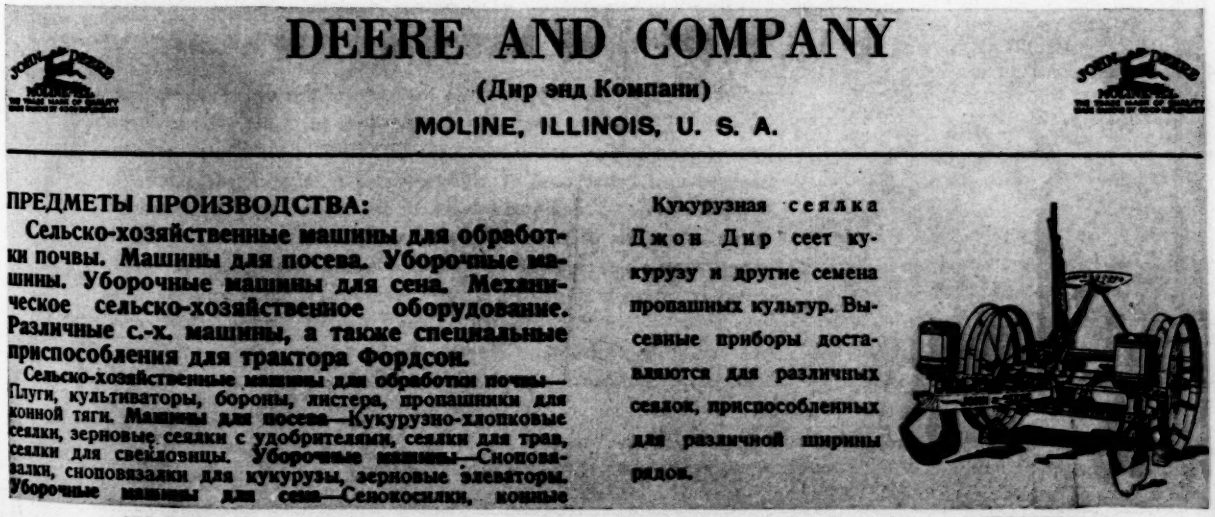
Next in volume of trade come New York and Illinois, each with totals well over $17,000,000. But, in this case, figures are deceiving. Many large companies dealing with Amtorg have central offices in New York or Chicago, with branch plants scattered from coast to coast filling the orders, and sharing in the benefits though not being credited with a share of the work.

Four states—California, Ohio, Pennsylvania, Michigan—each did more than $5,000,000 worth of business with the Soviet in 1929. Perhaps more than any other one city, Cleveland, machine tool center, profited on Russian orders.

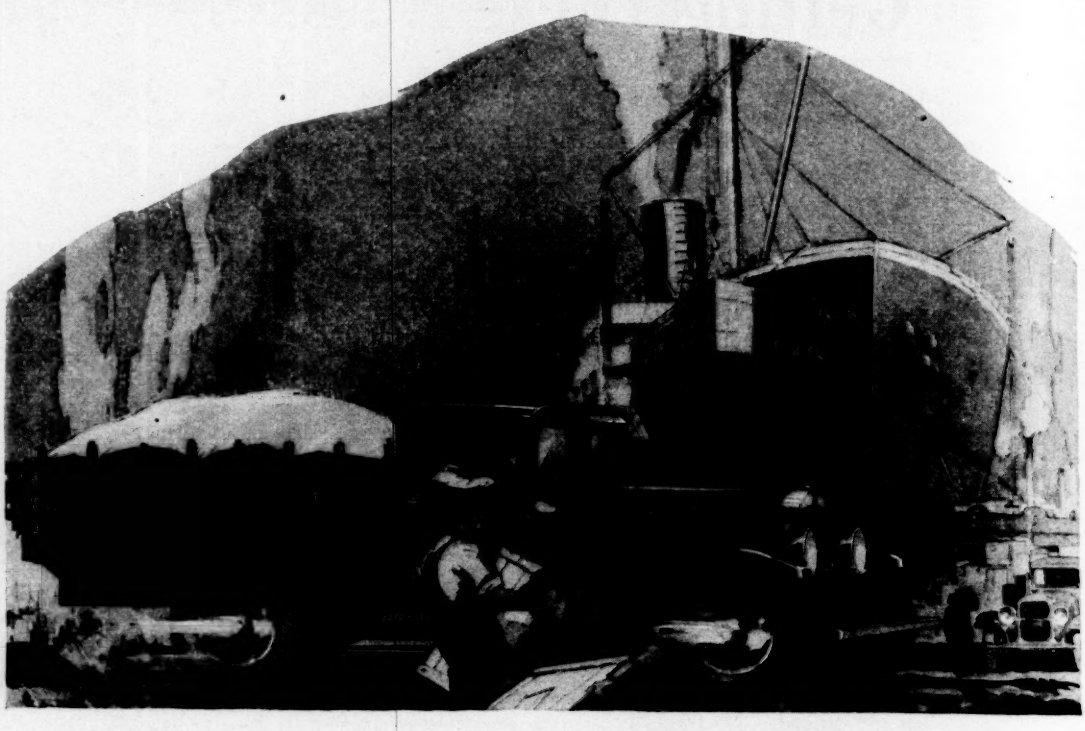
States doing more than a $2,000,000 business with the Soviet add to the list Alabama, Indiana, Kansas, Massachusetts, New Jersey, and Wisconsin. Connecticut and Missouri did business valued at more than $1,000,000 each. Even agricultural Iowa was the source of more than $100,000 of Soviet trade.

THOUGH the peak of work in filling 1930 agricultural implement orders will be passed in February, there is no indication that there will be any lessening of Russian buying in coming months. American technical experts are supervising construction in Russia worth many hundreds of millions of dollars and are sending home through the Amtorg offices orders for equipment worth millions. The Austin Company, Cleveland, alone expects to spend nearly $20,000,000 for supplies in the United States for use in building Russia's first model city for the manufacture of automobiles.

Colonel Hugh L. Cooper, construction engineer for the $110,000,000 Dnieper power project, has nearly reached the point where hydro-electric generators can be installed. At Schenec-



AN ITEM FROM THE 980-PAGE AMTORG CATALOGUE OF AMERICAN INDUSTRY



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WILLYS-OVERLAND, INC. . . . TOLEDO, OHIO

WILLYS-OVERLAND SALES CO., LTD., TORONTO, CANADA

tady, General Electric engineers have turned from generator design problems to transport problems. More than 130 railroad cars will be required to haul to New York docks the 1,760,000 pounds of parts which compose each of four giant hydro-electric units. In Russia a special 50-ton crane will be installed to handle the pieces of apparatus at the point of installation.

At Columbus, Ohio, the Medley Manufacturing Company has been running day and night since early December handling a $50,000 machinery order, largely Fordson tractors, for Russia. Another of the smaller companies enjoying a share of Russia's business is the Food Machinery Corporation of San Francisco. The first of several orders was placed last September.

By far the largest tractor orders have been placed with the International Harvester Company with manufacturing units in Illinois, Wisconsin, Indiana, and Ohio. More than half of all Soviet tractor orders have been filled by International Harvester.

OF some significance is the comparison of trade volume by states with the state representations last summer on the first official visit to Russia of an American trade delegation, sponsored by the American-Russian Chamber of Commerce.

Of the 95 members who surveyed business prospects in the Moscow region and in the Ukraine, 61 were from New York, 7 from Chicago, 3 from Lockport, New York, and two each from Cleveland, Washington, Detroit, Philadelphia, and Greenville, Pennsylvania.

What share of Russia's increasing purchases of industrial equipment will go to this year's visiting business men remains to be seen. Since 1924, the Amtorg has spread its orders to more than 2,000 American business houses. Soviet-American trade increased $54,000,000 in 1929, stands well to repeat, perhaps exceed, itself in 1930.

▼

To Urge Customer-Ownership in 1930

ELECTRIC utility companies are planning to launch extensive customer-ownership programs. Such financing, expected to exceed $200,000,000 this year, is regarded as the most important single factor in counteracting public ownership propaganda. A total of $2,000,000,000 in customer-owned preferred stock is now outstanding in the power and light field.

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(A-803)

Movies Build A New Industry Over Night

The advent of the talkie was only the beginning of the revolution. Now come color and the big screen

COLOR in movies, once a dream—sometimes a nightmare—of the motion picture producer, has become a practical reality. Some producers say it may be a practical necessity before the year is out. Its use has already spread far and wide among the studios. Technicolor, Inc., which controls one process for putting natural colors on films, reported this week big gains in profits, announces new plants for Hollywood during 1930. The revolution in the motion picture industry has moved into another phase.

AFTER two years of the most rapid and revolutionary development in business history, the motion picture industry might well pause for breath. But it can't. A measure of stability has been attained, following the hectic changes caused by the synchronization of the screen, and talking pictures are now firmly established. But in the amusement world, all is not yet quiet on the western front. New technical developments that may be as far-reaching in their effects as was vocalization, are crowding upon the scene, and the producers must embrace them or be left behind in the race to be first with the newest in entertainment.

It took the industry little more than a year to absorb the tremendous changes that sound brought to the screen. When 1929 opened only one company, Warner Brothers, was actively engaged in making talking pictures; the others were about to launch their first releases. One year later the silent picture was practically in the discard. During that short period production technique in the studios was completely revised, with new equipment costing $20,000,000, about 4,000 additional theatres were wired for sound, and the total investment in all branches of the industry was increased by $500,000,000, bringing it close to the $2,500,000,000 mark. Such an achievement should entitle the industry to a brief rest, but no rest is in sight.

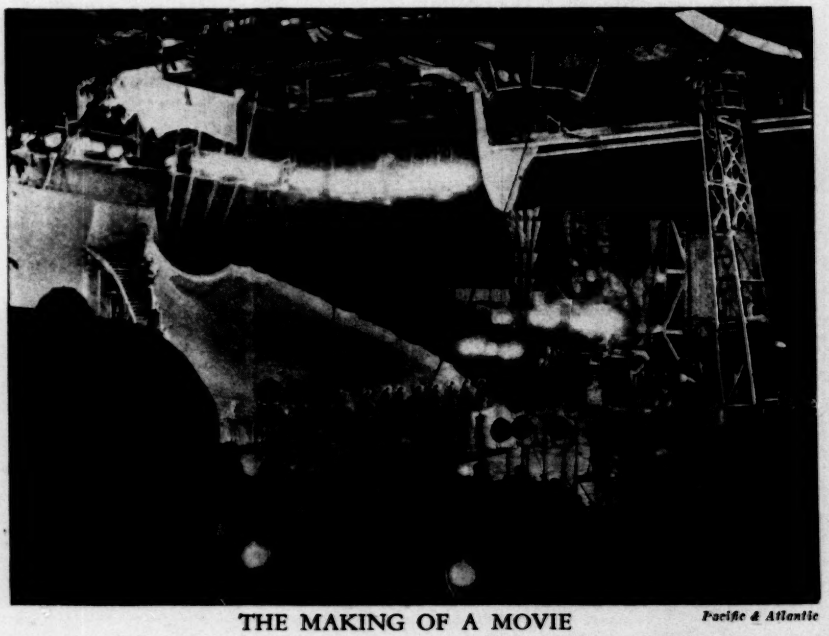
THIS year will see two major developments: the growing use of color, and the inauguration of a much larger screen.

Color has been used with some success in a number of productions; present schedules call for its incorporation in, at least, some scenes of a majority of releases. Several companies, Technicolor, Photocolor, Multicolor, Eastman-Sonochrone and Harris are rapidly overcoming technical difficulties. The greatest obstacle to color photography has been excessive production cost, but its use in a picture does not make it necessary for theatres to alter their exhibiting equipment. The panoramic picture, however, with its larger screen and wider film, will change exhibiting as well as production equipment, and may cost the industry almost as much as did the incorporation of sound.

Another development may be "double shooting," the newest effort to solve the foreign language market problem. Silent pictures derived as much as 40% of their revenue from foreign distribution; it is exceedingly important that this market be held. One picture has already been completed by the "double shooting" process, in which two separate sets of players, directors, camera men and technicians are used with one story and one group of settings. During the day the English version of the picture is filmed; that night the same scenes are taken with a Spanish-speaking cast. Other methods of incorporating foreign dialogue in pictures have met with some success (THE BUSINESS WEEK, January 1), but double shooting avoids many of their difficulties. The cost of the process exceeds that of making a single version by 30%.

Developments in distribution have been as rapid as those in the studios. With production costs during 1929 increased by 25% and with every major picture requiring a huge investment, often around $1,000,000, producers felt the imperative need of a stable, assured market. They, therefore, speeded up the process of acquiring control of theatres throughout the country. Chains owned by such leading producers as Paramount, Fox, Metro-Goldwyn-Mayer, Warner Brothers and Radio-Keith-Orpheum now include about 70% of the nation's exhibiting houses. During 1929, almost 75% of the new capital put into the industry was absorbed by the distributing and exhibiting branches. New and elaborate theatres are planned for 1930.

The position of the individual and independent exhibitor is fraught with difficulties. Wiring his theatre for sound was expensive, and the prices on pictures have risen. Unless he pays these



THE MAKING OF A MOVIE *Pacific & Atlantic*

Shooting the Bridal Veil number in the Paul Whiteman picture "The Jazz King." Cameras work from the travelling crane, and the glass cage at the top is the sound control room

DOWN THERE!

The Ford Plane

The Ford plane is planned, constructed and operated as a commercial plane. Built of corrugated aluminum alloys, it has great structural strength, unequaled durability, and is most economical to maintain in operation. The uniformity of its material is determined by scientific test. All planes have three motors in order to insure reserve power to meet and overcome all emergencies. The engines may be Wright or Pratt & Whitney, air-cooled, totaling from 900 to 1275 horse-power. Ford planes have a cruising range of from 580 to 650 miles at speeds between 55 and 135 miles per hour. Loads may be carried weighing from 3670 to 6000 pounds.

The capacity of these planes is 13 to 15 passengers and a crew of two (pilot and assistant). Planes can be equipped with a buffet, toilet, running water, electric lights, adjustable chairs.

The price of the Ford tri-motored, all-metal plane is exceptionally low because of its highly scientific methods of commercial production. Price is $42,000 to $55,000 at Dearborn.

Ford branches will be glad to give you information on the Ford tri-motored, all-metal plane in all models.

The Smackover Field, Arkansas. From the air, developments have the appearance of infinitely perfect scale models . . . not a detail can be altered to please or mislead the inspecting eye!

Type of Ford plane used by Standard Oil of Indiana as a flying office. . . . Three powerful motors, and all-metal construction, assure speed, durability and safety.

THE EXECUTIVE EYE should be an all-comprehending eye. In the struggles of modern industry and commerce . . . just as in the struggles of actual warfare . . . the use of beflagged maps is essential in order that responsible leaders may sum up in swift glances the actual operations in the field. *But no map, no matter how perfectly modeled, can even approximate the brilliant clarity of an airplane view of the world below.*

The airplane has become as necessary to the commander of field operations on a large scale as the automobile is for narrower inspections.

The Standard Oil Company of Indiana is among the many industrial users of Ford tri-motored, all-metal airplanes for regular business purposes. Stanolind has employed three of these famous planes. The first was delivered in May, 1927, and the latest, "Stanolind III," in July, 1929. Between July and December last, "Stanolind III" has flown a distance greater than around the earth at the Equator.

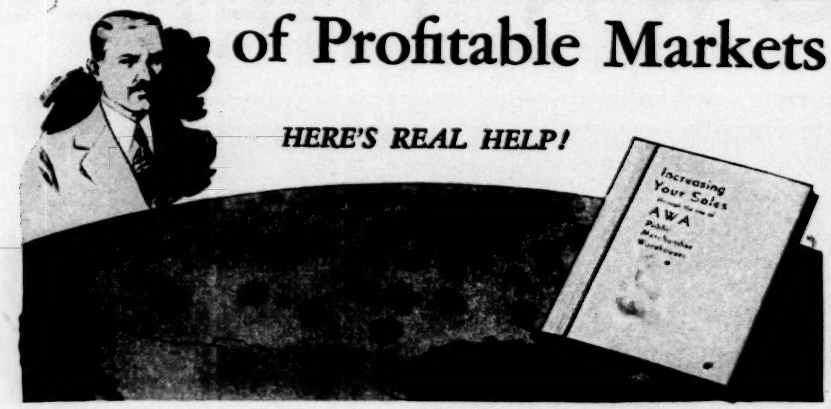
Directors of the Standard Oil Company of Indiana have flown 97,087 miles in the Company's three Ford tri-motored planes, having used them on regular business trips. Many thousands of passengers have been carried.

It is because of this modern viewpoint towards the swift expansion of industry that many companies such as the Standard Oil are employing this safe, durable, well-tried and dependable plane.

FORD MOTOR COMPANY

Visitors are always welcome at the Ford Airport at Detroit

To Manufacturers in Search of Profitable Markets



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RIGHT now you probably know of many existing sales opportunities ... *if* only you had spot stocks in marketing centers throughout the country —territories which you'd like to develop, but have not cultivated because you have no "branch" there. And you feel you cannot afford the expense or the man-power to organize a branch.

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We will receive your merchandise in carload or less-than-carload lots ... store it for you at our member warehouses in any of 189 cities throughout the United States, Canada, Cuba, Hawaii ... and will then distribute your goods for you as you wish.

We will receive orders from your head office, your salesmen or your customers ... assemble from stock, pack, mark and ship your goods on the day the order is received ... using your name as shipper to preserve your identity with your customers. If you wish, we will make "store door delivery" in any or all of our 189 cities and their suburbs ... and arrange for store door delivery in the smaller towns of our respective trade territories. Your representatives may even use our warehouse offices for receiving mail and telephone calls, if you wish!

We will report all shipments or deliveries of your merchandise on the day they are made; and follow it at the close of each month's business with a stock report. If you furnish a list of your customers whose requisitions are to be honored direct, we can save days of time in filling orders.

Important Freight Savings

And wherever you are now shipping your goods in less-than-carload lots, we can help you arrange for carload shipments to a central market ... then break up your carloads into smaller lots for reshipment a short distance to final destination. Your saving in freight will be large and you will speed up delivery by days or weeks.

This is the sort of thing our member warehouses are doing every day of the year for Beech-Nut, Bon Ami, Borden, Carnation Milk, Colgate, Comet Rice, Karo, Mazola, Argo, Linit, Flit, Vacuum Oil, Federal Match, Kotex, Hoover Sweeper, Lux, Rinso, Lifebuoy Soap, Mellin's Food, Postum, Ivory Soap, Quaker Oats, Tanglefoot, Vick's Vapo-Rub ... and thousands of other products, made by manufacturers large and small. These nationally-known distributors have successfully used our services for years to distribute their products economically. Possibly the same plan of distribution will help you! We invite you to investigate.

Our booklet tells all about it. Send today for your free copy.

Public Merchandise Warehouse Division
American Warehousemen's Association
1705 Adams-Franklin Bldg., Chicago, Illinois

prices and gets the best pictures, he loses patronage. The individual exhibitor buys his pictures from film exchanges maintained by the producers in key cities, but the acquisition of large groups of theatres has made this system out-of-date.

If talking pictures have made the producer the bug-bear of the exhibitor, they have given the producer himself a new cause for worry. There is the possibility that at any time the two electrical giants, General Electric and American Telephone and Telegraph, may take direct control of the moving picture industry. General Electric, with Radio Corporation, controls the Photophone process of sound reproduction, and the Radio-Keith-Orpheum producing, distributing and theatre chain organizations. American Telephone and Telegraph, through Western Electric, controls patents and manufactures equipment used by practically all the other producers and exhibitors of talking pictures. There is no definite knowledge that these companies want to take over the movies, but if they do, a studio official told THE BUSINESS WEEK that it "will be like sticking your finger through wet paper —that easy!"

But in spite of unsolved problems and impending developments, leaders in the industry are optimistic. Production budgets for 1930 exceed $165,000,000, the greatest on record and a 15% increase over last year's. The industry now has 325,000 employes, compared with 235,000 at the opening of 1929. And in spite of mounting production costs, profits are rolling in. The reason: during 1929, paid admissions to theatres increased by 15,000,000 a week. Adolph Zukor, president of Paramount Famous Lasky Corporation, states that Paramount's net earnings last year were $15,000,000, amounting to $6.10 a share on its outstanding capital stock. On the basis of 1930 prospects, this company plans to raise its annual stock dividend from $3 to $4 per share.

Meanwhile, what is happening to the legitimate theatre? New York houses are having the worst season in years, due largely to the ticket speculation evil and a dearth of good plays, but the exodus of stage stars, producers and playwrights to Hollywood has been a contributing factor. Vaudeville, declining for a number of years, is now practically unknown in most cities except in the "stage shows" accompanying a moving picture.

But the public doesn't worry about the stage. It merely goes on buying 110,000,000 tickets a week to the talking pictures.

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Some investors are deferring the investment of funds in the expectation of lower security prices. They base their action on a feeling of uncertainty as to the immediate course of business.

Without attempting to appraise the factors in the business outlook, it may be pointed out that even a fairly important decline in business activity would still, judging by past experience, leave corporate profits well above the amount of dividend disbursements in 1929. Thus, despite such a possible falling off in profits, corporations might, if they chose, continue to pay the same dividends as in 1929 without impairing surplus. At the same time, any decline in business activity would tend to further ease in money rates and as a consequence, to higher bond prices. As for stocks, present prices have discounted some falling off in business and profits, which may or may not materialize.

Sound investment policy at the present time therefore dictates the discriminating purchase of both high grade bonds and good dividend paying stocks. Over a period both should advance in price. Possibly some stocks may sell lower at some time in the near future, but experience clearly indicates that few people ever pick the absolute low. Those who wait will lose income and a most unusual opportunity, as they have so often before.

If you have money to invest, this is a good time to place it in high grade securities giving a good return. Your capital will be well employed and will increase over a period.

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Wide Reading

DE-PYRAMIDING THE UTILITY COMPANIES. William Knodel. *Magazine of Wall Street*, February 8. Movement is afoot to simplify capital structures of public utilities by eliminating intermediary holding companies.

THE TEXTILE TASK FOR 1930. *Textile World*, February 1. Annual review and forecast issue.

COLLEGE HERE AND ABROAD. John Erskine. *World's Work*, February. New leisure shows lack of preparation for its use by many American college graduates in business. Observations of the European system.

IN CHANGING THE PACKAGE DON'T BE AFRAID TO GO THE LIMIT. C. B. Larrabee. *Printers' Ink*, February 6. Get into line for increased profits. Experience proves that redesigning of an outmoded container is one of the most beneficial single marketing operations.

IS SILVER CEASING TO BE A PRECIOUS METAL? John A. Crone. *Magazine of Wall Street*, February 8. Influence of lowest prices in history on our trade abroad and its effect on domestic copper and other metal companies.

WILL HOLLYWOOD MOVE TO BROADWAY? Frances Taylor Patterson. *New Republic*, February 5. It is logical; Hollywood may become another abandoned industrial town; executives and actors may come home to New York.

TINNED FOOD FOR TIN GODS. Marcia Clarke. *Forum*, February. The canning companies get a slap in the face; the fresh vegetable vendor a boost for his business.

THE A. F. OF L. CAMPAIGN TO ORGANIZE SOUTHERN WAGE-EARNERS. William Green. *Textile World*, February 1. Leader of organized labor outlines his program to unionize the Southern wage-earners.

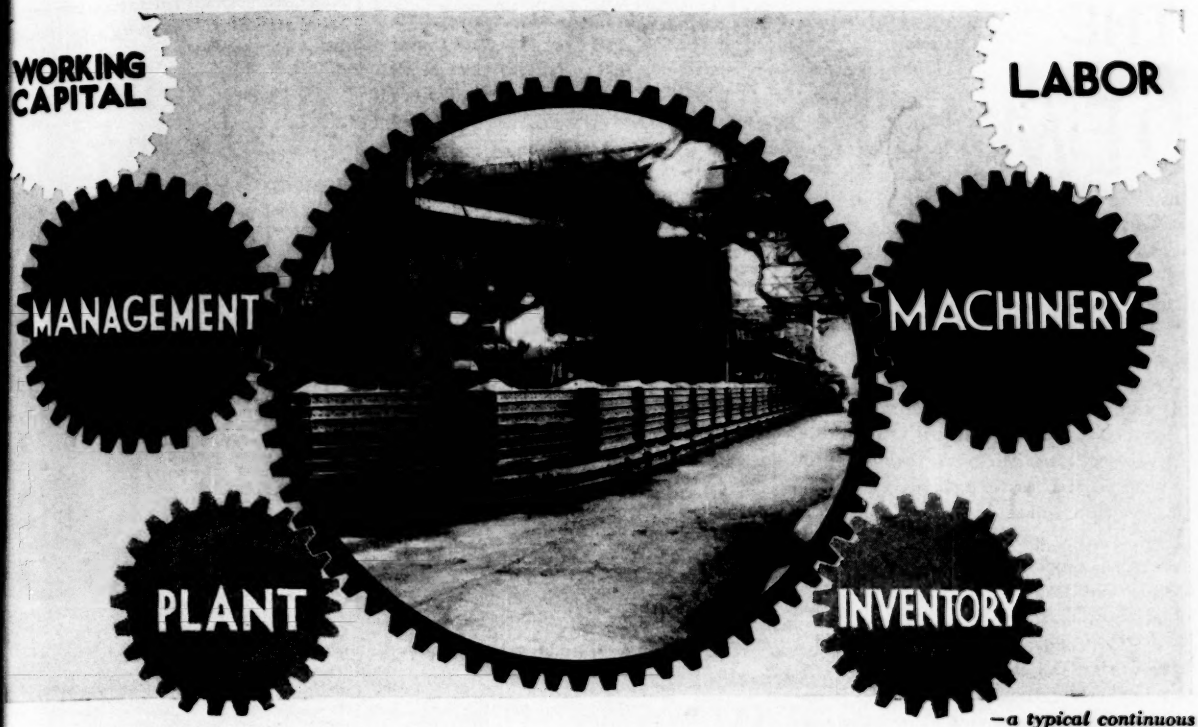
REPORTS-SURVEYS

FACTORS OF MARKET INFLUENCE. Sutro & Co. Booklet, 12 pp. Lists important dates on which American business may expect official government reports or information that has an effect upon prices of stocks or commodities or upon general business conditions.

A MASTER SURVEY FOR COMMUNITY INDUSTRIAL DEVELOPMENT. Industrial Site Service Bureau, McGraw-Hill, 27 pp. Outline for a community self-analysis to determine whether it is in a position to grow industrially and, if so, how to proceed.

HISTORY OF WAGES IN THE UNITED STATES FROM COLONIAL TIMES TO 1928. U. S. Bureau of Labor Statistics Bulletin 499, 527 pp., 80 cents. Largely text to 1840; tables thereafter.

STANDARD DEPARTMENTAL STOCK-SALES RATIOS. Carl N. Schmalz and O. W. Blackett. University of Michigan, 87 pp., 50 cents. A second study of stock-sales ratios giving further evidence of their value and providing data showing their use for current merchandising control in retail stores.



—a typical continuous mold conveyor for large production foundries

The Key Gear to High Production Efficiency

Probably no single component part in modern business plays such an effective role as the modern production conveyor. It has a direct and economical bearing on management, labor, machinery, capital investment and inventory. It is the key gear to high production efficiency.

The newer industries have opened the eyes of the commercial world on manufacturing accomplishment. It is for this reason that some of the older industries, both large and small, should look more closely into the reasons for such striking results.

An essential factor in mass production is the modern conveyor. This traveling production tool has revolutionized plant operations, introducing new economies.

How thoroughly—if at all—have you investigated the conveyor possibilities in your factory?

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Palmer-Bee conveyors whether of the standard types or special designs are specifically engineered to effect the greatest savings on your particular operation. The Palmer-Bee organization possesses specialized engineering knowledge of a highly technical character. This advanced experience enables you to get the highest production efficiency in plant conveyors.

This is an age of scientific operations. Conveyors are the backbone of economical mass production. Palmer-Bee are authorities for these production tools.

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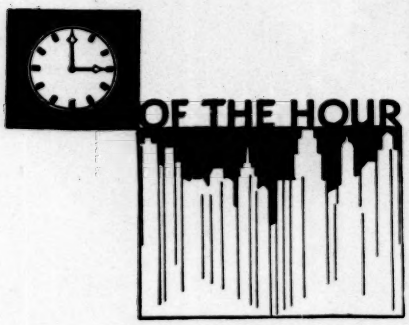
Speed Reducers—Power
Transmission Machinery—
Structural Steel Fabricators

THE DEMAND OF THE HOUR



Business achievement is to the swift. The laggard has no place. Speed with ease! It is the demand of the hour where figures count and fingers falter. And the Steelcase Calculating Machine Desk meets this demand thoroughly.

To make the calculating machine and its operator a truly efficient unit; to do more with less effort—this is the daily achievement of the Steelcase Calculating Machine Desk in hundreds of business concerns. The desk is small and compact—it saves valuable office space and earns its cost over and over again.

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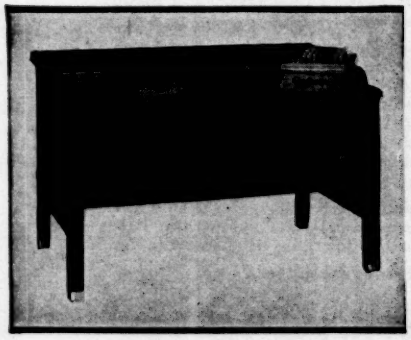

Your operators will endorse the Steelcase Calculating Machine Desk because it will increase their output and decrease their efforts. Comes in four beautiful finishes. Wearproof bronze bound linoleum top.

. . . FOUND WHERE BUSINESS SUCCEEDS

The Leaders Say—

OBSERVING that business is settling down to sharing with other nations, James H. Collins says in *Office Economist:*

"During the next five years, American business men will unquestionably develop a closer interest in world trade. At present, their interest centers chiefly on a desire for export sales, and a vague dread of import competition. Our position as a creditor nation calls for a new adjustment.

"From a business standpoint, it may eventually appear to be a wise thing to lower our tariff. Whatever changes may come, they will be made largely as a matter of business, not politics. They will be part of the new business arrangements to which we are settling down, and made by reason of broader, keener business vision, for the world as well as ourselves."

▼

WILSON COMPTON, manager of the National Lumber Manufacturers' Association:

"One of the great contributions which the American foresters can make to their leadership of forestry thought in America will be to make plain the fact that if the American people desire permanently the public and private benefits to be secured from forests and forest uses, they must continue to make liberal, wise use of wood, and not be trapped by clever propaganda into the belief that stoppage of the use of wood is, in any constructive sense, forest conservation.

"There is no surer way to destroy forestry progress than to destroy its economic incentives. For timber is the one readily reproducible natural resource. Forest conservation, distinct from forest reproduction, is merely the form without the substance."

▼

VISITS to various automobile shows have convinced Russell P. Askue that motor cars are becoming over-feminized. Writing in *Advertising and Selling:*

"I for one, decline to own a car designed to be operated with the aid of a compact, a permanent, a manicure and a maid. If the manufacturers furnished both a ladies' model and a gentlemen's model, it would be different. But an alarming number of 1930 cars are obviously intended to appeal to ladies only."

Perhaps here is another market outlet —*the car for men.*

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Economist, International Telephone and Telegraph Corporation.

THIS widely known book, now in its fourth edition, has been enlarged to cover the most recent changes in business finance. Financial problems of business are linked with the changes in the Business Cycle.

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We have also improved upon the work done by wrapping machines. Due to exclusive features, our machines produce a neater, smoother-looking package. This improved appearance is a real advantage in the package-goods field, where so much depends upon "eye-value".

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After Office Hours . .

IN Wall Street are extremely fertile brains. One of them reposes in the handsome skull of Francis R. Henderson, founder of commodity exchanges, author of the grandiose notion of a single commodity exchange for all the raw goods which gain-seeking merchants subject to barter.

Mr. Henderson produced a scheme last week which according to the scholars of the Street has never been popped before. He organized, in Delaware, a corporation of $7,000,000 capital whose function it will be to deal in commodities just as the classic investment trust deals in securities. The new company, Basic Commodities Corporation by euphonious name, will be equipped with elaborate technical data about all the basic commodities in all the world, a scientific research department, talented and experienced managers. All this is easily comprehensible to the Wall Street mind.

The rub comes at the fundamental idea, that the investor—or speculator—should buy into a pool not only in a commodity but in all of the commodities. In his statement last week Mr. Henderson made clear the opportunities which prime commodity markets offer when the commodities are quoted "below the cost of production." In his opinion such a state now exists for rubber, sugar, coffee, tin, raw silk, hides. Furthermore, his thesis would appear to be that such staples, bought in the form of futures contracts and for the long pull, do represent investments sound as government bonds.

The line of objection is obvious. Stocks and bonds provide an immense and closely studied mass of dope, of charts, of records, of rules. But who is capable of solving the incalculables of commodities? Einstein himself would tremble! The mere working out of generalized costs of production in one commodity would call for the powers of a modern Hercules on the slide-rule.

As for the management of an investment trust in commodities, such an undertaking would require an academy of encyclopedists learned in all things, from the stuffs and substances themselves to weather, to politics, to laws of all the nations, to the fashions and habits of mankind, to epidemics and plagues, and eventually—since all things are fundamentally materials—to every fiscal and financial relation in the world.

It is to be feared that Mr. Henderson is proposing an immensely difficult task to somebody.

▼

PRESIDENT HOOVER, embarrassed on his South American trip by his inability to speak Spanish and Portuguese, is picking ambassadors and ministers who speak languages of countries to which they are sent. After his formal presentation, G. J. Diekema, Hoover minister to The Hague, chatted with Queen Wilhelmina in her own language. When newspaper reporters made their first call, he greeted them with "Come on in, boys" in Dutch. Publicity received shattered all records. The Hoover policy as to languages gives those who seek foreign business something to think about.

▼

GAS this winter heats switch points in Chicago railroad yards. A small flame, burning at all times, keeps snow and ice from clogging automatic switching systems. It's been done before, in eastern yards. But gas men say what they want is new uses for gas in summer, such as in ice cream manufacture.

▼

"MEALS at all hours" is said to be a frequent rule with Sidney Z. Mitchell, chairman of the Electric Bond and Share, and director of . . . . . other corporations. Hard at his desk or conference table at number 2 Rector Street from early morn to late at night, he and his associates are as likely as not to take a bite of lunch at three or call it a day and sit down to a simple dinner at ten or eleven. It is to be hoped that when they do take fork in hand they follow the rule for which Charlie Schwab is famous—"No shop-talk till the cigars!"

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FOR WEEK ENDING FEBRUARY 15, 1930

EDITORIAL

THE BUSINESS WEEK
A McGRAW-HILL PUBLICATION

Sauce For The Gander

THIS issue of THE BUSINESS WEEK records two items of business news which we believe are of far greater importance than anything that has happened in this country in many years. When we put them side by side and begin to realize their significance, they are sure to make the average American business man wonder if even an Einstein could explain the paradoxes of American politics.

At one end of Washington the Farm Board, after seven months of hopeful and constructive experiment with the long-range provisions of the farm relief law designed to aid in the creation of a stronger, more economic agricultural marketing system, plunges abruptly into the first venture in governmental price-fixing since the war, by setting up a stabilization corporation to manipulate the market and raise and fix the price of wheat with government funds.

At another end of Washington the Department of Justice energetically bores into the activities of certain non-agricultural trade organizations. Developing hopefully in recent years under governmental blessing as a means of eliminating the wastes of uneconomic competition and stabilizing the market, they are now suspect as price-fixers.

Everyone recognizes that in its political setting the jewel of consistency can never be flawless. But must it turn out to be such mere paste as this situation implies? Everyone recognizes now that farmers, like labor, have peculiar weaknesses of position that may entitle them to those special privileges under the anti-trust laws which they now enjoy through the Clayton Act, the Capper-Volstead Act and other special legislation. But the news of this week puts in its sharpest form the question whether a sauce that is so necessary to digest the agricultural goose and is so poisonous when served with the industrial gander is a proper condiment at all in the diet of the body politic.

No one can blame the Farm Board for carrying out the extreme letter of the law under political pressure and the weight of business recession. But similar excuses could be offered at this time for what trade organizations may have done privately, and in this case one might add the further extenuation that they are not using the public purse for the purpose. Experience has shown plainly enough that such efforts to outwit and exploit consumers, whether of agricultural or any other products, whether by aid or in defiance of government, are bound to fail in time. But whatever the outcome of this revolutionary experiment in governmental price-fixing and market manipulation upon which the Farm Board has embarked, it imposes on the Administration and Congress an immediate and inescapable obligation to clarify and give a decent consistency to public policy toward organized cooperative business activity in every field of industry and trade.

The public will ultimately have to decide which way it wishes to go—further toward organized private or public price and market control, or back to free competition. It will get nowhere if it is to be driven both ways at once. American business cannot survive half free and half "stabilized".

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